

2017



WITZENBERG
Municipality • Munisipaliteit • UMasipala Wase

Annual Financial Statements

30 June 2017



AFS -31/08/2017

WC022 – WITZENBERG MUNICIPALITY

UN-AUDITED

WITZENBERG MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

GENERAL INFORMATION

NATURE OF BUSINESS

Witzenberg Municipality is a local municipality performing the functions as set out in Part B of Schedules 4 & 5 of the Constitution of the Republic of South Africa. (Act No. 108 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Witzenberg Municipality includes the following areas:

Ceres
Op-die-Berg
Prince Alfred's Hamlet
Tulbagh
Wolseley

MUNICIPAL MANAGER

D Nasson

CHIEF FINANCIAL OFFICER

HJ Kritzinger

REGISTERED OFFICE

50 Voortrekker Street, Ceres, 6835

AUDITORS

Auditor-General South Africa

PRINCIPAL BANKERS

Standard Bank, Ceres

RELEVANT LEGISLATION

The Constitution of the Republic of South Africa
Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004), as amended
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
SALBC Leave Regulations
Remuneration of Public Office Bearers Act
Workman's Compensation Act

WITZENBERG MUNICIPALITY

COUNCILLORS OF THE WITZENBERG MUNICIPALITY


Position	Surname	Party	Seat type	
Executive Mayor	Klaasen, BC	DA	PR	
Deputy Executive Mayor	Adams, K	DA	Ward 6	
Speaker	Godden, TT	COPE	PR	
Member of Mayoral Committee	Sidego, EM	DA	Ward 11	
Member of Mayoral Committee	Alderman Smit, HJ	DA	Ward 5	
Member of Mayoral Committee	Visagie, JJ	DA	Ward 4	
Member of Mayoral Committee	Abrahams, T	DA	PR	Councillor from 10/08/2016
Ordinary Councillor	Kinnear, D	DA	PR	Councillor from 10/08/2016
Ordinary Councillor	Laban, G	WA	PR	Councillor from 10/08/2016
Ordinary Councillor	Alderman Schuurman, J W	ANC	PR	Councillor from 10/08/2016
Ordinary Councillor	Phungula, JT	ANC	PR	
Ordinary Councillor	Jacobs, DM	EFF	PR	Councillor from 10/08/2016
Ordinary Councillor	Herandien, P	ICOSA	PR	Councillor from 10/08/2016
Ordinary Councillor	Simpson, RJ	ANC	PR	
Ordinary Councillor	Mzauziwa, Z	DA	PR	Councillor from 10/08/2016
Ordinary Councillor	Phatsoane, N	ANC	Ward 1	Councillor from 10/08/2016
Ordinary Councillor	Lottering, C	DA	Ward 2	Councillor from 10/08/2016
Ordinary Councillor	Swart, D	DA	Ward 3	
Ordinary Councillor	Daniels, P	DA	Ward 7	
Ordinary Councillor	Visagie, H	ANC	Ward 8	Councillor from 10/08/2016
Ordinary Councillor	Hugo, SJ	ANC	Ward 9	Councillor from 10/08/2016
Ordinary Councillor	Mgoboza, TP	ANC	Ward 10	Councillor from 10/08/2016
Ordinary Councillor	Mdala, M	ANC	Ward 12	Councillor from 10/08/2016
Member of Mayoral Committee	Louw, S	DA	PR 1	Councillor till 09/08/2016
Member of Mayoral Committee	Fredericks, JP	VIP	PR 1	Councillor till 09/08/2016
Ordinary Councillor	Badela, R	ANC	Ward 12	Councillor till 09/08/2016
Ordinary Councillor	Du Plessis, JJ	DA	PR 3	Councillor till 09/08/2016
Ordinary Councillor	Du Toit, MC	ANC	PR 1	Councillor till 09/08/2016
Ordinary Councillor	Klaasen, JNED	DCP	PR 1	Councillor till 09/08/2016
Ordinary Councillor	Mouton, JS	ANC	PR 2	Councillor till 09/08/2016
Ordinary Councillor	Ndwanya, SM	ANC	PR 4	Councillor till 09/08/2016
Ordinary Councillor	Salmon, L	ANC	Ward 8	Councillor till 09/08/2016
Ordinary Councillor	Saula, MI	ANC	Ward 1	Councillor till 09/08/2016
Ordinary Councillor	Okada J	NPP	PR 1	Councillor till 09/08/2016
Ordinary Councillor	Hanekom, WJ	DA	Ward 3	Councillor till 09/08/2016
Ordinary Councillor	Smith, A	ANC	Ward 10	Councillor till 09/08/2016

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in the notes of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.


 D Nesson
 Accounting Officer


 Date

WITZENBERG MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Notes	2017 R	Restated 2016 R
ASSETS			
Current Assets		151,238,744	165,365,652
Cash and Cash Equivalents	2	76,333,137	97,039,728
Receivables from exchange transactions	3	48,935,181	49,894,911
Receivables from non-exchange transactions	4	9,395,725	6,442,655
Inventory	5	9,347,496	5,403,267
Current Portion of Long-term Receivables	6	-	7,495
Unpaid Conditional Government Grants and Receipts	7	2,262,670	12,375
VAT Receivable (net)	8	4,964,535	6,565,221
Non-Current Assets		874,504,904	791,187,331
Long-Term Receivables	6	-	-
Non-Current Investments			
Property, Plant and Equipment	9	807,644,329	712,655,085
Intangible Assets	10	2,506,094	2,645,647
Investment Property	11	47,718,986	48,506,152
Heritage assets	12	550,000	550,000
Operating Lease Asset	13	9,947	12,326
Capitalised Restoration Cost	14	16,075,548	26,818,121
Total Assets		1,025,743,648	956,552,983
LIABILITIES			
Current Liabilities		73,202,312	96,335,521
Payables from exchange transactions	15	43,706,642	54,453,895
Consumer Deposits	16	3,666,150	3,217,431
Current Employee benefits	17	17,446,827	16,941,158
Unspent Conditional Government Grants and Receipts	7	3,690,206	10,347,213
Unspent Public Contributions	18	975,236	1,282,898
Current Portion of Long-term Liabilities	19	3,717,251	10,092,926
Non-Current Liabilities		153,138,093	158,428,205
Long-term Liabilities	19	7,503,284	10,464,089
Non-Current Provisions	20	70,249,120	68,641,116
Employee benefits	21	75,385,689	79,323,000
Total Liabilities		226,340,405	254,763,726
Net Assets		799,403,243	701,789,257
Capital Replacement Reserve	22	10,354,788	9,548,191
Accumulated Surplus		789,048,455	692,241,066
Total Net Assets and Liabilities		1,025,743,648	956,552,983

WITZENBERG MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 (Actual) R	2016 (Restated) R	2016 Correction of error R	2016 (Previously reported) R
REVENUE					
Revenue from Non-exchange Transactions		276,805,739	194,680,841	1,206,869	193,473,972
Taxation Revenue		61,101,436	57,039,519	(0)	57,039,519
Property rates	23	59,649,031	55,604,297	(0)	55,604,297
Property Rates - penalties imposed and collection charges		1,452,405	1,435,222	-	1,435,222
Transfer Revenue		215,704,303	137,641,322	1,206,869	136,434,453
Fines		20,564,741	8,559,000	-	8,559,000
Government Grants and Subsidies - Capital	24	38,768,028	55,446,601	3,907,586	51,539,015
Government Grants and Subsidies - Operating	24	101,428,638	71,440,720	(2,700,717)	74,141,437
Public Contributions and Donations		54,942,896	2,195,001	-	2,195,001
Revenue from Exchange Transactions		320,412,477	317,036,592	-	317,036,592
Service Charges	25	286,621,189	279,542,152	-	279,542,152
Rental of Facilities and Equipment		8,176,974	8,168,837	-	8,168,837
Interest Earned - external investments		8,511,695	6,772,240	-	6,772,240
Interest Earned - outstanding debtors		7,816,318	9,827,814	-	9,827,814
Licences and Permits		141,796	161,051	-	161,051
Agency Services		4,352,440	4,236,894	-	4,236,894
Other Income	26	4,792,065	8,321,816	-	8,321,816
Unamortised Discount - Interest		-	5,788	-	5,788
Total Revenue		597,218,216	511,717,433	1,206,869	510,510,564
EXPENDITURE					
Employee related costs	27	133,332,562	120,893,414	89,529	120,803,885
Remuneration of Councillors	28	8,779,575	8,661,654	-	8,661,654
Debt Impairment	29	38,685,623	34,542,290	-	34,542,290
Collection Costs		773,248	327,229	-	327,229
Depreciation and Amortisation	30	26,248,586	27,173,335	194,546	26,978,789
Repairs and Maintenance		23,000,709	20,141,682	466,538	19,675,144
Unamortised Discount - Interest paid		615,809	1,138,434	-	1,138,434
Finance Charges	32	16,957,097	16,764,153	-	16,764,153
Bulk Purchases	33	179,202,804	160,424,870	-	160,424,870
Contracted services		41,869,152	15,876,571	-	15,876,571
Grants and Subsidies	34	941,038	969,262	-	969,262
General Expenses	35	43,464,693	43,157,596	(89,529)	43,247,125
Total Expenditure		513,870,896	450,070,490	661,084	449,409,406
Gain / (loss) on disposal of assets (Impairment loss)	31	289,843 (137,679)	(3,728) (21,500)	-	(3,728) (21,500)
Gain on Adjustment of Provision		-	-	-	-
Inventories: (Write-down) / Reversal of write-down		-	(377)	-	(377)
Gain / (loss) on Actuarial Valuations	21	14,114,503	3,818,912	-	3,818,912
Asset Losses		-	(38,136)	-	(38,136)
NET SURPLUS FOR THE YEAR		97,613,987	65,402,114	545,785	64,856,329

WITZENBERG MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Capital Replacement Reserve	Accumulated Surplus/(Deficit)	Total
		R	R	R
Balance at 1 JULY 2015		9,430,377	627,509,596	636,939,973
Correction of error	36.13	-	(552,830)	(552,830)
Restated Balance at 1 JULY 2015		9,430,377	626,956,766	636,387,143
Contribution to Capital Replacement Reserve		23,121,037	(23,121,037)	-
Property, Plant and Equipment purchased		(23,003,223)	23,003,223	-
Restated Net Surplus for the year		-	65,402,114	65,402,114
Balance at 30 JUNE 2016		9,548,191	692,241,066	701,789,257
Contribution to Capital Replacement Reserve		23,364,843	(23,364,843)	-
Property, Plant and Equipment purchased		(22,558,245)	22,558,245	-
Net Surplus for the year		-	97,613,987	97,613,987
Balance at 30 JUNE 2017		10,354,789	789,048,455	799,403,244

WITZENBERG MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

	Notes	30 JUNE 2017 R	30 JUNE 2016 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Taxation	37	59,159,651	52,556,067
Sales of goods and services		322,926,341	276,852,260
Government Grants		131,276,989	136,362,739
Interest		17,780,418	18,035,276
Payments			
Employee costs		(122,649,702)	(110,847,000)
Suppliers		(289,196,090)	(236,709,077)
Finance charges	32	(16,957,097)	(16,764,153)
Transfers and Grants		(941,038)	(969,262)
Cash generated by operations	37	101,399,472	118,516,850
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	9	(115,646,701)	(76,766,772)
Purchase of Intangible Assets		-	(321,685)
Proceeds on Disposal of Fixed Assets		3,036,713	111,192
Increase/(Decrease) in Long-term Receivables	6	7,495	163,151
Net Cash from Investing Activities		(112,602,493)	(76,814,114)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(9,952,289)	(8,964,582)
New loans raised		-	1,175,887
Increase in Consumer Deposits		448,719	742,656
Net Cash from Financing Activities		(9,503,570)	(7,046,039)
NET INCREASE/(DECREASE IN CASH AND CASH EQUIVALENTS)		(20,706,591)	34,656,697
Cash and Cash Equivalents at the beginning of the year		97,039,728	62,383,031
Cash and Cash Equivalents at the end of the year	2	76,333,137	97,039,728
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(20,706,591)	34,656,697

WITZENBERG MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017

	Actual 2017 R	Approved budget 2017 R	Adjustments 2017 R	Final budget 2017 R	Difference between final budget and actual	Actual 2016 R
Operating Revenue						
Property rates	59,649,031	60,005,000	-	60,005,000	-0.6%	55,604,297
Property Rates - penalties imposed and collection charges	1,452,405	1,400,000	-	1,400,000	3.7%	1,435,222
Fines	20,564,741	12,819,650	-	12,819,650	60.4%	8,559,000
Government Grants and Subsidies - Capital	38,768,028	51,579,597	(13,201,863)	38,377,734	1.0%	55,446,601
Government Grants and Subsidies - Operating	101,428,638	134,609,474	(33,265,277)	101,344,197	0.1%	71,440,720
Public Contributions and Donations	54,942,896	200,000	536,479	736,479	7360.2%	2,195,001
Service Charges	286,621,189	295,515,087	-	295,515,087	-3.0%	279,542,152
Rental of Facilities and Equipment	8,176,974	9,338,688	-	9,338,688	-12.4%	8,168,837
Interest Earned - external investments	8,511,695	4,480,030	-	4,480,030	90.0%	6,772,240
Interest Earned - outstanding debtors	7,816,318	5,474,180	-	5,474,180	42.8%	9,827,814
Licences and Permits	141,796	168,030	-	168,030	-15.6%	161,051
Agency Services	4,352,440	4,274,110	-	4,274,110	1.8%	4,236,894
Other Income	18,906,568	4,229,389	-	4,229,389	347.0%	12,137,000
Unamortised Discount - Interest	-	258	-	258	100.0%	5,788
Total revenue	611,332,719	584,093,493	-45,930,661	538,162,832	-13.6%	515,532,617
Operating Expenditure						
Employee related costs	133,332,562	143,316,264	(5,556,840)	137,759,424	3.2%	120,893,414
Remuneration of Councillors	8,779,575	9,465,032	(539,000)	8,926,032	1.6%	8,661,654
Debt Impairment	38,685,623	25,639,560	14,940,000	40,579,560	4.7%	34,542,290
Collection Costs	773,248	1,041,190	(233,000)	808,190	4.3%	327,229
Depreciation and Amortisation	26,248,586	39,480,476	(12,558,000)	26,922,476	2.5%	27,173,335
Repairs and Maintenance	23,000,709	22,196,721	2,045,652	24,242,373	5.1%	20,141,682
Unamortised Discount - Interest paid	615,809	615,809	-	615,809	0.0%	1,138,434
Finance Charges	16,957,097	11,094,293	5,917,000	17,011,293	0.3%	16,764,153
Bulk Purchases	179,202,804	179,220,874	-	179,220,874	0.0%	160,424,870
Contracted services	41,869,152	71,370,252	(28,395,012)	42,975,240	2.6%	15,876,571
Grants and Subsidies	941,038	881,230	66,000	947,230	0.7%	969,262
Other expenses	43,312,529	49,007,252	-2,704,008	46,303,244	6.5%	43,179,473
Total expenditure	513,718,732	553,328,953	-27,017,208	526,311,745	2.4%	450,092,367
Surplus/(deficit) for the period	97,613,987	30,764,540	-18,913,453	11,851,087	-723.7%	65,440,250
Operating expenditure by vote						
Budget & Treasury Office	31,777,485	38,366,975	(5,313,000)	33,053,975	3.9%	32,305,839
Civil Services	106,021,906	107,220,510	(214,719)	107,005,791	0.9%	108,191,967
Community & Social Services	26,732,608	26,232,133	2,549,236	28,781,369	7.1%	23,028,655
Corporate Services	33,663,879	28,788,637	4,406,030	33,194,667	-1.4%	28,769,266
Electro Technical Services	201,810,596	204,238,813	(1,871,585)	202,367,228	0.3%	182,240,690
Executive & Council	22,027,290	26,865,281	(3,039,378)	23,825,903	7.5%	24,135,106
Housing	27,456,019	59,859,878	(31,036,417)	28,823,461	4.7%	2,906,534
Planning	7,539,676	9,567,215	(1,150,577)	8,416,638	10.4%	6,592,167
Public Safety	34,142,995	28,590,342	6,776,561	35,366,903	3.5%	21,284,659
Sport & Recreation	20,470,543	23,379,169	(337,306)	23,041,863	11.2%	20,675,626
Total operating expenditure by vote	511,642,997	553,108,953	-29,231,155	523,877,798	2.34%	450,130,509
Capital expenditure by vote						
Budget & Treasury Office	162,534	130,000	45,000	175,000	7.1%	366,556
Civil Services	48,276,119	49,397,887	294,331	49,692,218	2.8%	59,666,153
Community & Social Services	910,051	1,426,000	(428,276)	997,724	8.8%	2,200,741
Corporate Services	285,353	150,000	139,330	289,330	1.4%	425,633
Electro Technical Services	6,571,567	6,995,000	(220,897)	6,774,103	3.0%	5,616,056
Planning	-	-	-	-	-	6,121,668
Public Safety	100,273	-	150,000	150,000	33.2%	561,346
Sport & Recreation	2,216,854	800,000	1,489,031	2,289,031	3.2%	488,506
Total capital expenditure	58,522,751	58,898,887	1,468,519	60,367,406	3.06%	75,446,659

The budget is approved on an accrual basis by vote classification as required by the Municipal Finance Management Act. The basis used for this comparison is by nature classification as required by General Recognised Accounting Practices. The approved budget covers the same period as the financial statements, from 1 July to 30 June.

The budget and accounting bases are the same; both are on the accrual basis. The financial statements are prepared using a classification on the nature of expenses in the statement of financial performance.

The changes between the approved and final budget are a consequence of reallocations within the budget and of other factors allowable in terms of the Municipal Finance Management Act

Please refer to Note 40 for more information on budget comparisons

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS
1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economics
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of non-cash-generating assets
GRAP 23	Revenue from Non-Exchange Transactions
GRAP 24	Presentation of Budget Information
GRAP 25	Employee Benefits
GRAP 26	Impairment of cash-generating assets
GRAP 27	Agriculture
GRAP 31	Intangible assets
GRAP 100	Discontinued Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 105	Transfer of Functions Between Entities Under Common Control
GRAP 106	Transfer of Functions Between Entities Not Under Common Control
GRAP 107	Mergers

WITZENBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

IGRAP 1	Applying the Probability Test on Initial Recognition of Revenue (as revised in 2012)
IGRAP 2	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IGRAP 3	Determining whether an Arrangement Contains a Lease
IGRAP 4	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 5	Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6	Loyalty Programmes
IGRAP 7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8	Agreements for the Construction of Assets from Exchange Transactions
IGRAP 9	Distributions of Non-cash Assets to Owners
IGRAP 10	Assets Received from Customers
IGRAP 11	Consolidations – Special Purpose Entities
IGRAP 12	Jointly Controlled Entities – Non-monetary Contributions by Ventures
IGRAP 13	Operating Leases – Incentives
IGRAP 14	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15	Revenue – Barter Transactions Involving Advertising Services
IGRAP 16	Intangible Assets – Website Costs
IPSAS 20	Related Party Disclosure
IFRS 3 (AC140)	Business Combinations
IFRS 4 (AC141)	Insurance Contracts
IFRS 6 (AC143)	Exploration for and Evaluation of Mineral Resources
IAS 12 (AC102)	Income Taxes
SIC – 21 (AC421)	Income Taxes – Recovery of Revaluated Non-Depreciable Assets
SIC – 25 (AC425)	Income Taxes – Changes in the Tax Status on an Entity or its Shareholders
SIC – 29 (AC429)	Service Concessions Arrangements – Disclosures
IFRIC 2 (AC435)	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4 (AC437)	Determining whether an Arrangement contains a Lease
IFRIC 9 (AC442)	Reassessment of Embedded Derivatives
IFRIC 12 (AC445)	Service Concession Arrangements
IFRIC 13 (AC446)	Customer Loyalty Programmes
IFRIC 14 (AC447) IAS19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15 (AC448)	Agreements for the Construction of Real Estate
IFRIC 16(AC449)	Hedges in a Net Investment in a Foreign Operation
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. In general, materiality is determined as 1% of total expenditure.

1.6. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
GRAP 18	Segment Reporting Information to a large extent is already included in the notes to the annual financial statements.	Unknown
GRAP 20	Related Party Disclosures No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 32	Service Concession Arrangements: Grantor No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 108	Statutory receivable No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 109	Accounting by Principals and Agents No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
IGRAP 17	Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset	Unknown

1.7. RESERVES

Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

1.8. LEASES**1.8.1. Municipality as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

1.8.2. Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

1.9. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.10. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Economic Entity has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of the grant is receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.11. PROVISIONS**1.11.1. GENERAL PROVISIONS**

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

Provisions shall be reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

1.11.2. REHABILITATION OF LANDFILL SITES PROVISIONS

Provision is made in terms of the licensing stipulations of the landfill sites, for the estimated cost of rehabilitating waste sites. The provision has been determined on the basis of a recent independent study. The cost factors derived from the study by a firm of consulting engineers have discounted to present value at prime interest rate.

1.12. EMPLOYEE BENEFITS**1.12.1. Post-Retirement Medical obligations**

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

1.12.2. Long Service awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

1.12.3. Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

1.12.4. Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

1.12.5. Performance bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is maintained. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

1.12.6. Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

1.12.7. Ex gratia Gratuities

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

1.13. PROPERTY, PLANT AND EQUIPMENT**1.13.1. Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.13.2. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.13.3. Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	Years		Years
Infrastructure		Other	
Roads and Paving	5-100	Airports	20
Electricity	4-46	Buildings	30-100
Water	15-150	Computer equipment	3-30
Sanitation	15-60	Furniture and equipment	5-30
Other	10-15	Landfill sites	9-24
		Markets	30
Community		Other	3-30
Recreational Facilities	10-30	Other vehicles	5-67
Sport fields & Stadia	10-20	Plant and Equipment	5-32
Halls	5-97	Specialist vehicles	7-38
Libraries	10-30		
Parks and gardens	10		
Other assets	5-30		
Cemeteries	5-30		
Finance lease assets			
Office equipment	4		

The actual useful lives used for depreciation purposes may vary from the above information as the remaining useful lives of assets are reviewed annually.

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.13.4. De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.13.5. Land and Buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional arrangement as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The municipality updated the Land and Buildings acquired before 30 June 2008 to the fair value as determined by an independent valuator. For Other Assets the depreciation replacement cost method was used to establish the deemed cost as on 1 July 2008.

1.14. INTANGIBLE ASSETS

1.14.1. Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiable criterion in the definition of an intangible asset when it:

is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

the municipality intends to complete the intangible asset for use or sale;
it is technically feasible to complete the intangible asset;
the municipality has the resources to complete the project; and
it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.14.2. Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.14.3. Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	5
Computer Software Licenses	5

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

The actual useful lives used for depreciation purposes may vary from the above information as the remaining useful lives of assets are reviewed annually.

1.14.4. De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.15. INVESTMENT PROPERTY**1.15.1. Initial Recognition**

Investment property shall be recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of self-constructed investment property is the cost at date of completion.

1.15.2. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.15.3. Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	99 - 100

The actual useful lives used for depreciation purposes may vary from the above information as the remaining useful lives of assets are reviewed annually.

1.15.4. De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16. HERITAGE ASSETS**1.16.1. Initial Recognition**

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset shall be recognised as an asset if, and only if:

- it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and
- the cost or fair value of the asset can be measured reliably.

An asset that has met the recognition requirement criteria for heritage assets shall be measured at its cost if such an asset has been acquired through an exchange transaction.

Where a heritage asset has been acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

1.16.2. Subsequent Measurement

Heritage assets are not depreciated based on their nature however the municipality assesses at each reporting date whether there is a need for impairment.

The class of heritage assets are carried at its cost less any accumulated impairment losses.

1.16.3. Impairment

Where the carrying amount of an item of heritage asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Where items of heritage asset have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

1.16.4. De-recognition

The carrying amount of a heritage asset is derecognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from de-recognition of a heritage asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.17. IMPAIRMENT OF NON-FINANCIAL ASSETS**1.17.1. Cash-generating assets**

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that

reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.17.2. Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

Depreciation replacement cost approach - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.18. COMMITMENTS

Commitments are future payments and expenditure to be incurred on contracts that have been entered into at the reporting date and where there are unperformed obligations. The commitments would include both capital and operating items.

Committed expenditure approved and contracted for at reporting date is where the expenditure has been approved and the contract has been awarded.

Committed expenditure approved but not yet contracted for at reporting date is where the expenditure has been approved but the contract has yet to be awarded or is awaiting finalisation.

1.19. INVENTORIES

1.19.1. Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

The cost of purified water comprises cost of conversion and other cost incurred in bringing the inventory to their present location and condition.

1.19.2. Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.20. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.21. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange transactions and non-exchange transactions).

1.21.1. Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.21.2. Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.21.2.1. Receivables

Receivables are classified as loans and receivables, and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of

Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.21.2.2. Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.21.2.3. Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.21.2.4. Non-Current Investments

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.21.3. De-recognition of Financial Instruments

1.21.3.1. Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

the rights to receive cash flows from the asset have expired; or
the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.21.3.2. Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.21.4. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

1.22. REVENUE

1.22.1. Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised when issued.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.22.2. Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter vouchers is recognised eight days after the sale of the relevant voucher.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred.

When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.22.3. Grants, Transfers and Donations (Non-Exchange Revenue)

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.23. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker, members of the Mayoral Committee and ordinary councillors.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.24. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.28. PRESENTATION OF BUDGET INFORMATION

The annual budget figures have been presented in accordance with the GRAP reporting framework. A separate statement of comparison of budget and actual amounts, which forms part of the annual financial statements, has been prepared. The comparison of budget and actual amount will be presented on the same accounting basis, same classification basis and for the same entity and period as for the approved budget. The budget of the municipality is taken for a stakeholder consultative process and upon approval the approved budget is made publicly available.

Material differences in terms of the basis, timing or entity have been disclosed in the notes to the annual financial statements.

1.29. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post-retirement medical obligations and Long service awards

The cost of post-retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.30. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.31. JOINT VENTURES

In respect of the municipalities' interest in jointly controlled assets, the municipality includes in its accounting records and recognises in its financial statements:

- its share of the jointly controlled assets, classified according to the nature of the assets;
- any liabilities that it has incurred;
- its share of any liabilities incurred jointly with other ventures in relation to the joint venture;
- any revenue from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and
- any expenses that it has incurred in respect of its interest in the joint venture.

1.32. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2	CASH AND CASH EQUIVALENTS	2017 R	2016 R
	<u>Assets</u>		
	Call Investments Deposits	-	-
	Bank Accounts	76,324,212	97,031,303
	Cash Floats	8,925	8,425
	Total Cash and Cash Equivalents - Assets	76,333,137	97,039,728
	Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.		
	The municipality has the following bank accounts:		
	Cash book balance at beginning of year	97,031,303	62,374,606
	Cash book balance at end of year	76,324,212	97,031,303
	The municipality changed it's Primary Bank Account from ABSA Bank Limited to The Standard Bank of South Africa Limited on 1 March 2013. The ABSA account has not been closed at year end as some debtors still pay their service accounts into the old account.		
	Primary Bank Account: Standard Bank - Account Number 203241819		
	Bank statement balance at beginning of year	100,229,291	66,875,631
	Bank statement balance at end of year	77,200,939	100,229,291
	ABSA Bank Limited - Account Number 350000011		
	Bank statement balance at beginning of year	58,202	33,194
	Bank statement balance at end of year	248,613	58,202
3	RECEIVABLES FROM EXCHANGE TRANSACTIONS		
	Electricity	41,278,142	39,653,051
	Water	67,600,296	57,648,575
	Housing Rentals	1,483,430	1,235,690
	Refuse	34,837,265	28,758,372
	Sewerage	29,290,326	23,614,585
	Other	2,543,476	1,944,039
	Land Sales	1,288,005	3,356,771
	Total Receivables from Exchange Transactions	178,320,940	156,211,083
	Less: Provision for Impairment	(129,385,759)	(106,316,172)
	Total Net Receivables from Exchange Transactions	48,935,181	49,894,911
	Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.		
	Included in receivables is the following accrued income (estimated consumption from the last meter reading to 30 June):		
	Accrued Income Electricity	22,054,254	17,621,583
	Accrued Income Water	4,178,417	4,182,801
	Ageing of Receivables from Exchange Transactions:		
	<u>(Electricity): Ageing</u>		
	Accrued Income Electricity	22,054,254	17,621,583
	Current (0 - 30 days)	13,694,594	15,527,804
	31 - 60 Days	788,519	582,462
	61 - 90 Days	467,181	283,058
	+ 90 Days	4,273,593	5,638,144
	Total	41,278,142	39,653,051

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

RECEIVABLES FROM EXCHANGE TRANSACTIONS CONTINUED	2017 R	2016 R
<u>(Water): Ageing</u>		
Accrued Income Water	4,178,417	4,182,801
Current (0 - 30 days)	3,287,256	3,875,709
31 - 60 Days	1,520,906	1,531,292
61 - 90 Days	1,074,176	1,539,568
+ 90 Days	57,539,542	46,519,206
Total	67,600,296	57,648,575
<u>(Housing): Ageing</u>		
Current (0 - 30 days)	27,969	27,677
31 - 60 Days	22,568	22,151
61 - 90 Days	21,392	20,399
+ 90 Days	1,411,500	1,165,462
Total	1,483,430	1,235,690
<u>(Refuse): Ageing</u>		
Current (0 - 30 days)	1,925,775	1,903,660
31 - 60 Days	752,979	812,939
61 - 90 Days	601,750	639,260
+ 90 Days	31,556,762	25,402,513
Total	34,837,265	28,758,372
<u>(Sewerage): Ageing</u>		
Current (0 - 30 days)	1,741,493	1,636,731
31 - 60 Days	771,514	708,827
61 - 90 Days	585,095	520,068
+ 90 Days	26,192,224	20,748,959
Total	29,290,326	23,614,585
<u>(Other): Ageing</u>		
Current (0 - 30 days)	729,918	339,561
31 - 60 Days	36,140	33,641
61 - 90 Days	27,418	29,560
+ 90 Days	1,750,000	1,541,277
Total	2,543,476	1,944,039
<u>(Land Sales): Ageing</u>		
Current (0 - 30 days)	-	-
31 - 60 Days	-	-
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	1,288,006	3,356,771
Total	1,288,006	3,356,771
<u>(Total): Ageing</u>		
Accrued Income	26,232,671	21,804,384
Current (0 - 30 days)	21,407,005	23,311,143
31 - 60 Days	3,892,624	3,691,312
61 - 90 Days	2,777,013	3,031,913
+ 90 Days	124,011,627	104,372,332
Total	178,320,941	156,211,084

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
RECEIVABLES FROM EXCHANGE TRANSACTIONS CONTINUED		
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	106,316,172	122,424,101
Contribution to provision	23,083,710	26,189,331
Bad Debts Written Off	(14,123)	(42,297,260)
Balance at end of year	129,385,759	106,316,172

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers living in poverty. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Rates	23,713,824	23,224,444
Other Receivables	41,106,629	22,159,059
Accrued Fines	38,801,930	21,351,630
Deposits	224,615	224,615
SARS	524,109	524,110
Prepaid Expenditure	1,555,975	50,000
Other receivables	-	8,704
Total Receivables from Non-Exchange Transactions	64,820,453	45,383,503
Less: Provision for Impairment	(55,424,728)	(38,940,848)
Total Net Receivables from Non-Exchange Transactions	9,395,725	6,442,655

Ageing of Receivables from Non-Exchange Transactions:

(Rates): Ageing

Current (0 - 30 days)	2,031,228	3,062,819
31 - 60 Days	407,965	342,354
61 - 90 Days	208,672	261,132
+ 90 Days	21,065,958	19,558,138
Total	23,713,823	23,224,444

Reconciliation of Provision for Bad Debts

Balance at beginning of year	38,940,848	30,295,695
Contribution to provision	16,483,880	8,645,153
Bad Debts Written Off	-	-
Balance at end of year	55,424,728	38,940,848

Included in the provision for bad debt are the following amounts in respect of traffic fines

34,825,924	19,274,139
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Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers living in poverty. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

5 INVENTORY

Consumable Stores - At cost	9,181,157	5,384,334
Water - At purification cost	166,339	18,933
Total Inventory	9,347,496	5,403,267

Consumable stores materials written down due to losses as identified during the annual stores counts.	-	377
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Consumable stores inventory recognised as an expense during the year	10,528,826	8,397,674
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No inventories is pledged as security for liabilities

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

6	LONG-TERM RECEIVABLES	2017 R	2016 R
	Housing Loans	-	167
	Sport Club Loans	-	7,328
	Town Development	-	-
		-	7,495
	Less: Unamortised Discount on Loans	-	-
	Balance 1 July	-	(4,653)
	Adjustment for the period	-	4,653
		-	7,495
	Less: Current portion transferred to current receivables	-	(7,495)
	Housing Loans	-	(167)
	Sport Club Loans	-	(7,328)
	Town Development	-	-
		-	-
	Less: Provision for Impairment	-	-
	Total Long Term Receivables	-	-
	Reconciliation of Provision for Bad Debts		
	Balance at beginning of year	-	163,925
	Contribution to provision	-	76,709
	Bad Debts Written Off	-	(240,634)
	Balance at end of year	-	-
7	UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
	Unspent Grants	3,690,206	10,347,213
	National Government Grants	471,476	4,378,064
	Provincial Government Grants	2,918,730	5,969,149
	District Municipality	300,000	-
	Less: Grants spend but not yet received	2,262,670	12,375
	National Government Grants	1,281,584	12,375
	Provincial Government Grants	981,086	-
	Total Conditional Grants and Receipts	1,427,536	10,334,838
	Please refer to Note 24 for more information on specific grants.		
8	VAT		
	VAT PAYABLE		
	VAT Payable	-	-
	VAT output in suspense	4,453,269	(1,131,647)
	Total Vat payable	4,453,269	(1,131,647)
	VAT RECEIVABLE		
	VAT input in suspense	9,417,804	5,433,574
	Total VAT receivable	9,417,804	5,433,574
	NET VAT RECEIVABLE/(PAYABLE)	4,964,535	6,565,221
	VAT is receivable/payable on the cash basis.		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

9 PROPERTY, PLANT AND EQUIPMENT

9.1 30 JUNE 2017

Reconciliation of Carrying Value	Land R	Buildings R	Infrastructure R	Community R	Lease Assets R	Other R	Total R
Carrying value at 1 July 2016	78,203,971	93,542,654	441,237,727	68,455,787	995,478	30,219,468	712,655,085
Cost	78,203,971	101,779,105	553,087,050	74,148,394	1,867,230	57,846,635	866,932,385
Original Cost	78,203,971	101,779,105	553,087,050	74,148,394	1,867,230	57,846,635	866,932,385
Accumulated Impairments	-	-	(19,801)	-	-	(551,858)	(571,659)
Original Cost	-	-	(19,801)	-	-	(551,858)	(571,659)
Accumulated Depreciation	-	(8,236,451)	(111,829,523)	(5,692,607)	(871,751)	(27,075,309)	(153,705,642)
Original Cost	-	(8,236,451)	(111,829,523)	(5,692,607)	(871,751)	(27,075,309)	(153,705,642)
Acquisitions	-	178,018	69,060,040	949,414	26,370	11,367,606	81,581,448
Capital under Construction	-	135,929	28,636,636	494,137	-	4,798,552	34,065,254
Transfers	-	(816,239)	-	1,395,719	-	(593,980)	(14,500)
Cost	-	(816,239)	-	1,395,719	-	(593,980)	(14,500)
Impairments	-	-	(2)	-	-	(80,677)	(80,679)
Impairment	-	-	(2)	-	-	(80,677)	(80,679)
Depreciation	-	(1,109,067)	(12,522,349)	(1,592,123)	(391,955)	(4,683,681)	(20,299,175)
Normal Depreciation for the year	-	(1,109,067)	(12,522,349)	(1,592,123)	(391,955)	(4,683,681)	(20,299,175)
Carrying value of disposals	(263,104)	-	-	-	-	-	(263,104)
Cost	(263,104)	-	-	-	-	-	(263,104)
Accumulated Impairments	-	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-	-
Carrying value at 30 June 2017	77,940,867	91,931,295	526,412,052	69,702,934	629,893	41,027,288	807,644,329
Cost	77,940,867	101,276,813	650,783,726	76,987,664	1,893,599	73,418,813	982,301,483
Original Cost	77,940,867	101,276,813	650,783,726	76,987,664	1,893,599	73,418,813	982,301,483
Accumulated Impairments	-	-	(19,803)	-	-	(632,535)	(652,338)
Original Cost	-	-	(19,803)	-	-	(632,535)	(652,338)
Accumulated Depreciation	-	(9,345,519)	(124,351,872)	(7,284,730)	(1,263,706)	(31,758,990)	(174,004,816)
Original Cost	-	(9,345,519)	(124,351,872)	(7,284,730)	(1,263,706)	(31,758,990)	(174,004,816)

9.1.1 Work in Progress included in the Carrying Value of Property Plant & Equipment

R

Buildings	894,345
Infrastructure	50,745,555
Community	1,564,478
Other	300,000
Intangibles	108,300

R

9.1.2 Expenditure incurred for repairs and maintaining property plant and equipment

23,000,709

PROPERTY, PLANT AND EQUIPMENT CONTINUED

9.2 30 JUNE 2016

Reconciliation of Carrying Value	Land R	Buildings R	Infrastructure R	Community R	Lease Assets R	Other R	Total R
Carrying value at 1 July 2015	78,203,971	94,005,465	385,733,567	70,214,221	67,562	27,677,073	655,901,860
Cost	78,203,971	101,129,809	485,746,274	74,032,544	691,343	50,431,115	790,235,056
Original Cost	78,203,971	101,129,809	485,746,274	74,032,544	691,343	50,431,115	790,235,056
Accumulated Impairments	-	-	-	-	-	(551,131)	(551,131)
Original Cost	-	-	-	-	-	(551,131)	(551,131)
Accumulated Depreciation	-	(7,124,343)	(100,012,708)	(3,818,323)	(623,781)	(22,202,911)	(133,782,066)
Original Cost	-	(7,124,343)	(100,012,708)	(3,818,323)	(623,781)	(22,202,911)	(133,782,066)
Acquisitions	-	712,221	16,624,898	252,500	1,175,887	7,285,385	26,050,891
Capital under Construction	-	-	50,715,878	-	-	-	50,715,878
Impairments	-	-	(19,801)	-	-	(1,700)	(21,500)
Impairments	-	-	(19,801)	-	-	(1,700)	(21,500)
Depreciation	-	(1,112,108)	(11,816,816)	(1,878,873)	(247,971)	(4,909,216)	(19,964,983)
Normal Depreciation for the year	-	(1,112,108)	(11,816,816)	(1,878,873)	(247,971)	(4,909,216)	(19,964,983)
Carrying value of disposals	-	-	-	-	-	(38,136)	(38,136)
Cost	-	-	-	-	-	(80,515)	(80,515)
Accumulated Depreciation	-	-	-	-	-	41,407	41,407
Carrying value at 30 June 2016	78,203,971	93,542,654	441,237,727	68,451,198	995,478	30,224,057	712,655,085
Cost	78,203,971	101,779,105	553,087,050	74,148,394	1,867,230	57,846,635	866,932,385
Original Cost	78,203,971	101,779,105	553,087,050	74,148,394	1,867,230	57,846,635	866,932,385
Accumulated Impairments	-	-	(19,801)	-	-	(551,858)	(571,659)
Original Cost	-	-	(19,801)	-	-	(551,858)	(571,659)
Accumulated Depreciation	-	(8,236,451)	(111,829,523)	(5,697,196)	(871,751)	(27,070,720)	(153,705,642)
Original Cost	-	(8,236,451)	(111,829,523)	(5,697,196)	(871,751)	(27,070,720)	(153,705,642)

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

10	INTANGIBLE ASSETS	2017	2016
		R	R
	Computer Software		
	Net Carrying amount at 1 July	2,645,647	2,689,747.00
	Cost	4,483,998	4,162,314.00
	Accumulated Amortisation	(1,838,351)	(1,472,567.00)
	Accumulated Impairment	-	-
	Additions	-	321,685.00
	Amortisation for Year	(154,053)	(365,785.00)
	Transfer	14,500	-
	Net Carrying amount at 30 June	2,506,094	2,645,647.00
	Cost	4,498,498	4,483,998.00
	Accumulated Amortisation	(1,992,404)	(1,838,351.00)
	Accumulated Impairment	-	-
11	INVESTMENT PROPERTY		
	Net Carrying amount at 1 July	48,506,152	48,833,256
	Cost	50,888,329	50,899,404
	Under Construction	-	-
	Accumulated Depreciation	(2,382,177)	(2,066,148)
	Accumulated Impairment	-	-
	Correction	(472,000)	-
	Depreciation for the year	(315,166)	(316,029)
	Transfers	-	(11,075)
	Net Carrying amount at 30 June	47,718,986	48,506,152
	Cost	50,416,329	50,888,329
	Accumulated Depreciation	(2,697,343)	(2,382,177)
	Accumulated Impairment	-	-
	There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.		
	There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.		
	Revenue derived from the rental of investment property	<u>(1,376,006)</u>	<u>(1,341,989)</u>
	Operating expenditure incurred on properties generating revenue	<u>143,054</u>	<u>12,289</u>
	Operating expenditure incurred on properties not generating revenue	<u>-</u>	<u>-</u>
12	HERITAGE ASSETS		
	Net Carrying amount at 1 July	550,000	550,000
	Cost	550,000	550,000
	Net Carrying amount at 30 June	550,000	550,000
	Cost	550,000	550,000
	Heritage assets are carried at its cost less any accumulated impairment losses		

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

13	OPERATING LEASE ARRANGEMENTS	2017 R	2016 R
	The Municipality as Lessor (Asset)		
	Balance on 1 July	12,326	21,535
	Movement during the year	(2,379)	(9,209)
	Balance on 30 June	9,947	12,326
	At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
	Up to 1 Year	43,242	64,599
	1 to 5 Years	30,688	73,929
	More than 5 Years	-	-
	Total Operating Lease Arrangements	73,929	138,528
	This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.		
	The leases are in respect of land and buildings being leased out for periods ranging until 2019.		
14	CAPITALISED RESTORATION COST		
	Net Carrying amount at 1 July	26,818,121	38,174,187
	Cost	50,973,071	55,802,597
	Accumulated Depreciation	(24,154,950)	(17,628,410)
	Accumulated Impairment	-	-
	Acquisitions	-	-
	Under Construction - Cost	-	-
	Disposals	-	-
	Adjustment for the period	(5,262,380)	(4,829,526)
	Depreciation for the year	(5,480,193)	(6,526,540)
	Net Carrying amount at 30 June	16,075,548	26,818,121
	Cost	45,710,691	50,973,071
	Accumulated Depreciation	(29,635,143)	(24,154,950)
	Accumulated Impairments	-	-
15	PAYABLES FROM EXCHANGE TRANSACTIONS		
	Trade Payables	33,113,210	43,197,262
	Deposits: Other	1,729,271	1,443,497
	Interest Accrued	160,004	446,189
	Other Creditors	438,318	114,455
	Library books	24,568	20,542
	Payments Received in Advance	4,217,531	2,618,929
	Pre-paid Electricity	813,188	741,704
	Retentions	3,210,552	5,871,317
	Total Trade Payables	43,706,642	54,453,895

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

Sundry deposits include hall, builders and housing Deposits.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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CONSUMER DEPOSITS

Water and Electricity	3,666,150	3,217,431
Total Consumer Deposits	3,666,150	3,217,431
Guarantees held in lieu of Electricity and Water Deposits	-	-

The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.

CURRENT PROVISIONS

Current Portion of Rehabilitation of Landfill-sites - Note 20	-	-
Total Provisions	-	-

17

CURRENT EMPLOYEE BENEFITS

	2017 R	2016 R
Current Portion of Post Retirement Benefits - Note 21	1,755,406	1,849,000
Current Portion of Long-Service Provisions - Note 21	626,884	634,000
Current Portion of Ex-gratia Pension Provisions - Note 21	90,438	40,000
Staff Leave	10,742,245	10,442,989
Performance Bonuses	815,657	773,825
Staff Bonuses	3,416,197	3,201,346
Backdated Remuneration	-	-
Total Current Employee Benefits	17,446,827	16,941,160

The movement in current employee benefits are reconciled as follows:

Staff Leave

Balance at beginning of year	10,442,990	8,828,207
Contribution to current portion	1,093,155	1,995,606
Expenditure incurred	(793,899)	(380,823)
Balance at end of year	10,742,246	10,442,990

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.

CURRENT EMPLOYEE BENEFITS CONTINUED

Performance Bonuses

Balance at beginning of year	773,825	730,369
Contribution to current portion	815,657	773,825
Expenditure incurred	(773,825)	(730,369)
Balance at end of year	815,657	773,825

Performance bonuses are being paid to Municipal Manager and Directors after an evaluation of performance by the council.

Staff Bonuses

Balance at beginning of year	3,201,346	3,060,083
Contribution to current portion	5,868,951	5,597,063
Expenditure incurred	(5,654,099)	(5,455,800)
Balance at end of year	3,416,198	3,201,346

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represents the portion of the bonus that have already vested for the current salary cycle.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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UNSPENT PUBLIC CONTRIBUTIONS

	2017 R	2016 R
China - Water meters	49,904	84,307
Essen Belgium	925,332	1,198,591
Total Unspent Public Contributions	<u>975,236</u>	<u>1,282,898</u>

Reconciliation of public contributions

China - Water meters

Opening balance	84,307	118,962
Conditions met - Transferred to revenue	(34,403)	(34,655)
Closing balance	<u>49,904</u>	<u>84,307</u>

3580 Water meters were donated by the Chinese Government to the Witzenberg Municipality. The purpose of the donation is to provide water connections to poor households.

Essen Belgium

Opening balance	1,198,591	1,512,288
Contributions received	333,962	1,380,741
Conditions met - Transferred to revenue	(607,221)	(1,694,438)
Closing balance	<u>925,332</u>	<u>1,198,591</u>

A twinning agreement exists between Essen in Belgium and the Witzenberg Municipality. The purpose of the agreement is youth development and crèches.

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LONG-TERM LIABILITIES

Annuity Loans - At amortised cost	10,638,893	20,241,807
Capitalised Lease Liability - At amortised cost	660,113	1,009,488
	<u>11,299,006</u>	<u>21,251,295</u>
Current Portion transferred to Current Liabilities	<u>(3,717,251)</u>	<u>(10,092,926)</u>
Annuity Loans - At amortised cost	(3,293,689)	(9,725,207)
Capitalised Lease Liability - At amortised cost	(423,562)	(367,719)
	<u>7,581,755</u>	<u>11,158,369</u>
Unamortised charges on loans	<u>(78,471)</u>	<u>(694,280)</u>
Balance 1 July	(694,280)	(1,831,579)
Adjustment for the period	615,809	1,137,299
Total Long-term Liabilities - At amortised cost using the effective interest rate method	<u><u>7,503,284</u></u>	<u><u>10,464,089</u></u>

Refer below for maturity dates of long term liabilities:

The obligations under annuity loans are scheduled below:

	Minimum annuity payments
Amounts payable under annuity loans:	
Payable within one year	4,287,313
Payable within two to five years	7,639,910
Payable after five years	1,091,920
	<u>13,019,143</u>
Less: Future finance obligations	(2,380,250)
Present value of annuity obligations	<u><u>10,638,893</u></u>

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

LONG-TERM LIABILITIES CONTINUED	2017 R	2016 R
Annuity loans at amortised cost is calculated at an average 12.47% interest rate, with a final maturity date of 30 June 2023.		
The obligations under finance leases are scheduled below:		
	Minimum lease payments	
Amounts payable under finance leases:		
Payable within one year	469,250	450,000
Payable within two to five years	243,775	693,775
Payable after five years	-	-
	<u>713,025</u>	<u>1,143,775</u>
Less: Future finance obligations	(52,913)	(134,287)
Present value of lease obligations	<u>660,112</u>	<u>1,009,488</u>

20

NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites	70,249,120	68,641,116
Total Non-current Provisions	<u>70,249,120</u>	<u>68,641,116</u>

The provision includes the rehabilitation cost of landfill sites in Ceres, Prince Alfred's Hamlet, Op-die-Berg, Tulbagh and Wolseley. The expected closing dates of the sites are:

Ceres - 2010 (The site is longer in operation)

Prince Alfred's Hamlet - 2027

Op-die- Berg - 2019

Tulbagh - 2018

Wolseley - 2018

Landfill Sites

Balance 1 July	68,641,116	66,794,185
Contribution for the year	-	-
Unwinding of Interest	6,870,384	6,676,457
Expenditure for the year	-	-
Adjustment for the period	(5,262,380)	(4,829,526)
Total provision 30 June	<u>70,249,120</u>	<u>68,641,116</u>
Less: Transfer of Current Portion to Current Provisions - Note	-	-
Balance 30 June	<u>70,249,120</u>	<u>68,641,116</u>

Discount rate	10.50%	10.50%
Inflation Rate	5.10%	6.30%

21

EMPLOYEE BENEFITS

Post-employment Health Care Benefits	70,619,811	74,152,000
Long Service Awards	4,702,173	4,967,000
Ex-Gratia Pension Benefits	63,705	204,000
Total Non-current Employee Benefit Liabilities	<u>75,385,689</u>	<u>79,323,000</u>

Post-employment Health Care Benefits

Balance 1 July	76,001,000	71,440,000
Contribution for the year	4,031,000	3,164,000
Interest Cost	7,659,000	6,596,000
Expenditure for the year	(1,964,623)	(1,792,262)
Actuarial Loss/(Gain)	(13,351,160)	(3,406,738)
Total post retirement Health Care benefits 30 June	<u>72,375,217</u>	<u>76,001,000</u>
Less: Transfer of Current Portion - Note 17	(1,755,406)	(1,849,000)
Balance 30 June	<u>70,619,811</u>	<u>74,152,000</u>

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

EMPLOYEE BENEFITS CONTINUED	2017 R	2016 R
<u>Long Service Awards</u>		
Balance 1 July	5,601,000	5,648,000
Contribution for the year	447,000	463,000
Interest Cost	541,000	514,000
Expenditure for the year	(602,928)	(709,079)
Actuarial Loss/(Gain)	(657,015)	(314,921)
Total long service 30 June	5,329,057	5,601,000
Less: Transfer of Current Portion - Note 17	(626,884)	(634,000)
Balance 30 June	4,702,173	4,967,000

Ex-Gratia Pensions

Balance 1 July	244,000	330,000
Contribution for the year	-	-
Interest Cost	18,000	35,000
Expenditure for the year	(1,529)	(23,746)
Actuarial Loss/(Gain)	(106,328)	(97,254)
Total Ex-Gratia 30 June	154,143	244,000
Less: Transfer of Current Portion - Note 17	(90,438)	(40,000)
Balance 30 June	63,705	204,000

TOTAL NON-CURRENT EMPLOYEE BENEFITS

Balance 1 July	81,846,000	77,418,000
Contribution for the year	4,478,000	3,627,000
Interest cost	8,218,000	7,145,000
Expenditure for the year	(2,569,080)	(2,525,087)
Actuarial Loss/(Gain)	(14,114,503)	(3,818,913)
Total employee benefits 30 June	77,858,417	81,846,000
Less: Transfer of Current Portion - Note 17	(2,472,728)	(2,523,000)
Balance 30 June	75,385,689	79,323,000

21.1 Post-employment Health Care Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	234	252
Continuation members (e.g. Retirees, widows, orphans)	53	54
Total Members	287	306

The liability in respect of past service has been estimated to be as follows:

In-service members	50,585,753	53,302,000
Continuation members	21,789,464	22,699,000
Total Liability	72,375,217	76,001,000

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2015 R	2014 R	2013 R
In-service members	44,877,000	46,097,000	35,087,000
Continuation members	26,563,000	22,258,000	18,843,000
Total Liability	71,440,000	68,355,000	53,930,000

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
Keyhealth.
LA Health
Hosmed and
Samwumed.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Key actuarial assumptions used:	2017	2016
i) Rate of interest		
Discount rate	9.81%	8.94%
Health Care Cost Inflation Rate	8.11%	8.05%
Net Effective Discount Rate	1.57%	0.82%

ii) Mortality rates

The PA 90 ultimate table was used by the actuaries.

EMPLOYEE BENEFITS CONTINUED

iii) Normal retirement age

The average retirement age for all active employees was assumed to be 58 years. This assumption implicitly allows for ill-health and early retirements.

	2017 R	2016 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	72,375,217	76,001,000
Net liability/(asset)	72,375,217	76,001,000

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per GRAP 25, Employee Benefits, paragraph 155 (a).

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	76,001,000	71,440,000
Total expenses	9,725,377	7,967,738
Current service cost	4,031,000	3,164,000
Interest Cost	7,659,000	6,596,000
Benefits Paid	(1,964,623)	(1,792,262)
Actuarial (gains)/losses	(13,351,160)	(3,406,738)
Present value of fund obligation at the end of the year	72,375,217	76,001,000
Less: Transfer of Current Portion - Note 17	(1,755,406)	(1,849,000)
Balance 30 June	70,619,811	74,152,000

Sensitivity Analysis on the Accrued Liability at 30 June 2017

Assumption	In-service members liability (R'000)	Continuation members liability (R'000)	Total liability (R'000)
Central Assumptions	50,586	21,789	72,375

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (R'000)	Continuation members liability (R'000)	Total liability (R'000)	% change
Central assumptions		50,586	21,789	72,375	
Health care inflation	1%	60,409	23,901	84,310	16
Health care inflation	-1%	42,726	19,950	62,676	-13
Mortality rate	20%	47,553	20,145	67,698	-6
Mortality rate	-20%	54,332	23,876	78,208	8

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

EMPLOYEE BENEFITS CONTINUED

2017

2016

21.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

491

476

i) Rate of interest

Discount rate	8.32%	7.96%
General Salary Inflation (long-term)	6.13%	7.33%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.05%	0.59%

2017
R

2016
R

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations

5,329,057

5,601,000

Net liability

5,329,057

5,601,000

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

2015
R

2014
R

2013
R

Net liability

5,601,000

5,139,000

5,076,000

2017
R

2016
R

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year

5,601,000

5,648,000

Total expenses

385,072

267,921

Current service cost

447,000

463,000

Interest Cost

541,000

514,000

Benefits Paid

(602,928)

(709,079)

Actuarial (gains)/losses

(657,015)

(314,921)

Present value of fund obligation at the end of the year

5,329,057

5,601,000

Less: Transfer of Current Portion - Note 17

(626,884)

(634,000)

Balance 30 June

4,702,173

4,967,000

Sensitivity Analysis on the Accrued Liability at 30 June 2017

Assumption	Change	Liability (R'000)	% change
Central assumptions		5,329	
General salary inflation	1.00%	5,619	5%
General salary inflation	-1.00%	5,063	-5%
Withdrawal rates	20%	4,949	-7%
Withdrawal rates	-20%	5,533	4%

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

EMPLOYEE BENEFITS CONTINUED

2017

2016

21.3 Ex-Gratia Pension Benefits

The Ex-Gratia Pension Benefits plans are defined benefit plans.

As at year end, the following number of employees were eligible for Ex-Gratia Pension Benefits.

31

34

i) Rate of interest

Discount rate	8.37%	8.37%
General Pension Inflation (long-term)	0.00%	6.66%
Net Effective Discount Rate applied to Ex-Gratia Pension Benefits	8.37%	0.43%

**2017
R**

**2016
R**

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations

154,143

244,000

Net liability

154,143

244,000

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

**2015
R**

**2014
R**

**2013
R**

Net liability

244,001

318,000

340,000

EMPLOYEE BENEFITS CONTINUED

**2017
R**

**2016
R**

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year

244,000

330,000

Total expenses

16,471

11,254

Current service cost

Interest Cost

Benefits Paid

-	-
18,000	35,000
(1,529)	(23,746)

Actuarial (gains)/losses

(106,328)

(97,254)

Present value of fund obligation at the end of the year

154,143

244,000

Less: Transfer of Current Portion - Note

(90,438)

(40,000)

Balance 30 June

63,705

204,000

Sensitivity Analysis on the Accrued Liability at 30 June 2017

Assumption	Change	Total liability (R'000)	% change
Central assumptions		154	
Withdrawal rates	+20%	153	-0.7%
Withdrawal rates	-20%	155	0.6%

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

EMPLOYEE BENEFITS CONTINUED

2017
R

2016
R

21.4 Retirement funds

CAPE JOINT PENSION FUND

The funding level of the CJPF (Pensions Account section) was 105.1% as at the 30 June 2013 valuation date compared with a 99.4% funding level as at 30 June 2012. The Fund is in a sound financial condition at the valuation date. As at the 30 June 2013 valuation date (in totality) the members contributed at a rate of 9% of pensionable salaries and (in totality) the Local Authorities contributed at a rate of 18% of pensionable salaries.

Contributions paid recognised in the Statement of Financial Performance

402,234

426,587

SOUTH AFRICAN LOCAL AUTHORITIES PENSION FUND

The funding level at the most recent actuarial valuation (1 July 2012) of 100% was calculated on a Discounted Cash Flow (DCF) basis. The funding level has improved since the previous valuation. The valuation actuary recommended that the prevailing employer contribution rate at 1 July 2012 be maintained at 15.26%. This includes a margin of 3.92% over and above the contribution rate required to fund the Projected Unit Method future service benefits and associated costs.

Contributions paid recognised in the Statement of Financial Performance

475,570

423,555

DEFINED CONTRIBUTION FUNDS

Council contributes to: the Government Employees Pension Fund; Municipal Council Pension Fund; National Fund for Municipal Workers (IMATU); and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

Cape Joint Retirement Fund

15,995,618

14,682,604

Municipal Councillors Pension Fund

257,362

384,673

National Fund For Municipal Employees (IMATU)

150,901

142,654

SAMWU National Provident Fund

3,983,521

3,908,359

20,387,403

19,118,290

22 NET ASSET RESERVES

Capital Replacement Reserve

10,354,788

9,548,191

Total Net Asset Reserves

10,354,788

9,548,191

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

23

PROPERTY RATES

Actual

Rates Levied

	2017 R	2016 R
Business	66,423,288	62,520,482
Building Clauses	10,337,309	10,206,804
Rural	115,580	108,160
Industrial	16,073,457	14,442,602
Residential	7,813,561	7,007,909
State	23,347,919	22,440,759
Vacant Land	6,823,916	6,638,749
Public Service Infrastructure	1,896,425	1,661,496
Less: Revenue Forgone	15,121	14,003
Total Assessment Rates	(6,774,257)	(6,916,185)
	59,649,031	55,604,297

Valuations - 1 JULY

Rateable Land and Buildings

Residential Property	2,683,792,990	2,674,117,190
Commercial Property	784,723,000	785,815,000
Industrial Property	446,895,000	442,495,000
Informal Property	32,801,000	30,173,000
Agricultural Purposes	5,197,084,300	5,195,601,700
State - National/ Provincial Services	406,743,600	410,112,600
Public Service Infrastructure	6,575,000	6,575,000
Vacant Property	191,379,900	151,828,610
Total Valuation	9,749,994,790	9,696,718,100

Assessment Rates are levied on the value of land and improvements. The valuation is performed every 4 years. The last valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

Rates:

Residential	0.918c/R	0.850c/R
Commercial	1.744c/R	1.615c/R
Industrial	1.744c/R	1.615c/R
Bona Fide Agricultural	0.230c/R	0.213c/R

Rates are levied annually and monthly. Monthly rates are payable by the 15th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates were granted on land with buildings used solely for dwellings purposes as follows:
Residential - The first R100 000 on the valuation is exempted.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

24	GOVERNMENT GRANTS AND SUBSIDIES	2017 R	2016 R
	Unconditional Grants	59,734,000	54,850,000
	Equitable Share	59,734,000	54,850,000
	Conditional Grants	80,462,666	72,037,321
	Grants and donations	80,462,666	72,037,321
	Subsidies	-	-
	Total Government Grants and Subsidies	140,196,666	126,887,321
	Government Grants and Subsidies - Capital	38,768,028	55,446,601
	Government Grants and Subsidies - Operating	101,428,638	71,440,720
		140,196,666	126,887,321

Please refer to appendix D for more detailed disclosure of Government Grants and Subsidies.

The Municipality does not expect any significant changes to the level of grants.

24.1	GOVERNMENT GRANTS AND SUBSIDIES CONTINUED	2017 R	2016 R
	Equitable share		
	Opening balance	-	-
	Grants received	59,325,000	54,850,000
	Conditions met - Operating	(59,734,000)	(54,850,000)
	Conditions met - Capital	-	-
	Write off / Transfers	409,000	-
	Conditions still to be met/(Grant expenditure to be recovered)	-	-
		(261,315)	-
	Local Government Financial Management Grant (FMG)		
	Opening balance	-	(441)
	Grants received	1,475,000	1,450,000
	Conditions met - Operating	(1,337,660)	(1,179,615)
	Conditions met - Capital	(398,655)	(269,944)
	Conditions still to be met/(Grant expenditure to be recovered)	(261,315)	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

	24.3	Municipal Systems Improvement Grant		
		Opening balance	-	-
		Grants received	-	930,000
		Conditions met - Operating	-	(361,200)
		Conditions met - Capital	-	(568,800)
		Conditions still to be met/(Grant expenditure to be recovered)	-	-

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

GOVERNMENT GRANTS AND SUBSIDIES CONTINUED

	2017 R	2016 R
24.4 Municipal Infrastructure Grant (MIG)		
Opening balance	3,399,041	(650,831)
Grants received	21,389,000	25,278,000
Conditions met - Operating	(237,600)	(4,445,988)
Conditions met - Capital	(24,640,860)	(16,782,140)
Conditions still to be met/(Grant expenditure to be recovered)	<u>(90,419)</u>	<u>3,399,041</u>
The grant was used to upgrade infrastructure in previously disadvantaged areas.		
24.5 Housing Grants		
Opening balance	1,478,410	-
Grants received	31,706,989	28,927,739
Conditions met - Operating	(24,264,670)	(440,857)
Conditions met - Capital	(8,354,095)	(27,008,472)
Conditions still to be met/(Grant expenditure to be recovered)	<u>566,634</u>	<u>1,478,410</u>
Housing grants was utilised for the development of erven and the erection of top structures.		
24.6 Integrated National Electrification Grant		
Opening balance	507,547	29,959
Grants received	5,000,000	4,000,000
Conditions met - Operating	-	(484,404)
Conditions met - Capital	(5,900,005)	(3,038,008)
Write off / Transfers	(409,000)	
Conditions still to be met/(Grant expenditure to be recovered)	<u>(801,458)</u>	<u>507,547</u>
The National Electrification Grant was used for electrical connections in previously disadvantaged areas.		
24.7 Library services		
Opening balance	1,416,673	469,502
Grants received	7,975,000	8,915,000
Conditions met - Operating	(8,764,144)	(7,157,326)
Conditions met - Capital	(627,672)	(810,503)
Conditions still to be met/(Grant expenditure to be recovered)	<u>(143)</u>	<u>1,416,673</u>
24.7 Other Grants		
Opening balance	3,533,167	1,478,215
Grants received	4,406,000	12,012,000
Conditions met - Operating	(1,685,029)	(5,689,029)
Conditions met - Capital	(4,239,900)	(4,268,019)
Write off / Transfers	-	-
Conditions still to be met/(Grant expenditure to be recovered)	<u>2,014,238</u>	<u>3,533,167</u>
Various grants were received from other spheres of government of which the material ones are: Main Roads Grant R 120 000, Drought Relieve R 396 833 etc.		
24.8 Total Grants		
Opening balance	10,334,838	1,326,404
Grants received	131,276,989	136,362,739
Conditions met - Operating	(96,023,103)	(74,608,419)
Conditions met - Capital	(44,161,187)	(52,745,886)
Conditions still to be met/(Grant expenditure to be recovered)	<u>1,427,537</u>	<u>10,334,838</u>

Disclosed as follows:

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Unspent Conditional Government Grants and Receipts	3,690,206	10,347,213
Unpaid Conditional Government Grants and Receipts	(2,262,670)	(12,375)
	<u>1,427,536</u>	<u>10,334,838</u>

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

25	SERVICE CHARGES	2017 R	2016 R
	Electricity	217,857,368	201,090,680
	Water	36,642,847	42,166,718
	Refuse removal	23,944,769	26,508,826
	Sewerage and Sanitation Charges	23,254,948	26,091,673
	Bulk service levies	56,825	117,813
		301,756,757	295,975,710
	Less: Revenue Forgone	(15,135,568)	(16,433,558)
	Total Service Charges	286,621,189	279,542,152

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

26	OTHER INCOME		
	Application fees - Town Planning	70,937	35,670
	Building Plan Fees	942,761	727,198
	Cemetery Fees	245,842	213,865
	Clip Cards	166,642	172,862
	Collection Fees	59,058	187,210
	Damages Income	31,666	25,001
	Housing	239,556	257,257
	Industrial Effluent	26,708	21,421
	Insurance Claims Received	595,701	162,168
	Mayor's Golf Day	151,264	117,574
	Re-connection fees	266,438	222,219
	Refuse Bags	2,854	3,740
	Servitudes	-	4,828,322
	Skills Development Levies received	44,119	234,023
	Special Projects	50,860	42,350
	Sundry Income	1,897,659	1,070,936
	Total Other Income	4,792,065	8,321,816

27	EMPLOYEE RELATED COSTS		
	Salaries and Wages	83,914,997	76,452,237
	Bargaining Council Levy	50,473	47,186
	Bonuses	7,419,392	6,394,808
	Contributions For Pensions	13,149,878	11,875,700
	Contributions For Medical Aids	5,952,737	5,397,130
	Contributions For UIF	754,416	723,352
	Ex-Gratia Pension	-	-
	Group Life Insurance	1,342,260	1,196,502
	Housing Benefits and Allowances	1,366,522	1,386,326
	Leave Reserve	1,093,155	1,995,605
	Long service awards	447,000	463,000
	Overtime	8,642,117	7,569,115
	Post Employment Health Care Benefits	4,031,000	3,164,000
	Travel, Motor Car, Accommodation, Subsistence and Other Allowances	5,270,369	4,303,988
		133,434,316	120,968,949
	Less: Employee Cost allocated elsewhere	(101,754)	(75,535)
	Total Employee Related Costs	133,332,562	120,893,414

KEY MANAGEMENT PERSONNEL

The Municipal Manager and Directors are appointed on fixed term contracts.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

EMPLOYEE RELATED COSTS CONTINUED

	2017 R	2016 R
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
<i>Remuneration of the Municipal Manager</i>		
Annual Remuneration	1,040,835	1,003,332
Performance Bonuses	189,663	179,012
Travelling Allowance	108,000	108,000
Housing Allowance	-	-
Contributions to UIF, Medical, Pension Funds and Bargaining Council	262,671	260,419
Travelling Expenses	23,985	27,981
Leave encashment	119,217	
Other Allowance	5,617	
Total	1,749,988	1,578,743
<i>Remuneration of the Director Technical Services</i>		
Annual Remuneration	731,737	741,501
Performance Bonuses	146,041	137,839
Travelling Allowance	373,998	301,646
Contributions to UIF, Medical, Pension Funds and Bargaining Council	3,569	15,056
Travelling Expenses	30,360	31,437
Total	1,285,705	1,227,480
<i>Remuneration of the Director Corporate Services</i>		
Annual Remuneration	755,456	733,934
Performance Bonuses	146,041	137,839
Travelling Allowance	188,000	168,000
Housing Allowance	-	-
Contributions to UIF, Medical, Pension Funds and Bargaining Council	150,883	155,605
Travelling Expenses	41,610	84,969
Leave encashment	97,305	
Other Allowance	4,592	
Total	1,383,887	1,280,347
<i>Remuneration of the Director Financial Services</i>		
Annual Remuneration	765,607	649,236
Performance Bonuses	146,041	137,839
Travelling Allowance	150,000	180,000
Housing Allowance	-	52,902
Contributions to UIF, Medical, Pension Funds and Bargaining Council	193,698	175,226
Travelling Expenses	36,509	54,747
Other Allowance	19,200	14,400
Total	1,311,055	1,264,350
<i>Remuneration of the Director Community Services</i>		
Annual Remuneration	818,049	770,613
Performance Bonuses	146,041	137,839
Travelling Allowance	90,000	90,000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	201,256	196,459
Travelling Expenses	7,013	16,258
Total	1,262,359	1,211,169

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REMUNERATION OF COUNCILLORS

Executive Mayor	780,041	770,070
Deputy Mayor	578,536	562,856
Speaker	578,776	591,642
Mayoral Committee Members	2,101,805	2,112,841
Ordinary Councillors	3,850,408	3,677,684
Pension fund contributions	835,872	904,426
Medical aid contributions	54,137	42,135
Total Councillors' Remuneration	8,779,575	8,661,654

In-kind Benefits

The Executive Mayor, Speaker and all the Mayoral committee members are full-time. The Executive Mayor, Speaker and all the Mayoral committee members are provided with secretarial support and an office at the cost of the Council.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

		2017	2016
		R	R
29	DEBT IMPAIRMENT		
	Long term Receivables - Note 6	-	163,924
	Receivables from exchange transactions - Note 3	18,242,358	20,875,419
	Receivables from non-exchange transactions - Note 4	20,443,265	13,502,947
	Total Contribution to Debt Impairment	38,685,623	34,542,290
30	DEPRECIATION AND AMORTISATION		
	Property Plant and Equipment	20,299,174	19,964,981
	Investment Property	315,166	316,029
	Intangible Assets	154,053	365,785
	Capitalised restoration cost	5,480,193	6,526,540
	Total Depreciation and Amortisation	26,248,586	27,173,335
31	IMPAIRMENTS		
	Property Plant & Equipment	137,679	21,500
	Total Impairments	137,679	21,500
32	FINANCE CHARGES		
	Long-term Liabilities	1,868,713	2,942,696
	Finance leases	-	-
	Ex-Gratia Pension	18,000	35,000
	Bank Overdraft	-	-
	Post Employment Health Care Benefits	7,659,000	6,596,000
	Long service awards	541,000	514,000
	Capitalised restoration cost	6,870,384	6,676,457
	Other	-	-
	Total finance charges	16,957,097	16,764,153
33	BULK PURCHASES		
	Electricity	179,202,804	160,424,870
	Total Bulk Purchases	179,202,804	160,424,870
34	GRANTS AND SUBSIDIES		
	Sport	-	-
	Council	235,438	282,229
	Tourism	705,600	687,033
	Total Grants and Subsidies	941,038	969,262

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

35	GENERAL EXPENSES	2017 R	2016 R
	Audit Committee	106,358	132,530
	Audit Fees	2,489,273	2,321,680
	Bank Charges	685,658	574,445
	Cell phone	280,892	252,854
	Chemicals	947,098	1,017,316
	Communication & Events	241,305	241,855
	Commission	1,695,574	1,648,004
	Connection Cost	855,362	1,034,910
	Consultant Fees	104,705	142,900
	Consumable Items	292,865	696,454
	Data lines	181,520	218,552
	Developing Projects	275,090	144,971
	Entertainment	383,124	240,689
	Eskom Electricity	1,899,599	1,500,751
	Expenditure against Grants	120,000	3,772,005
	Expenditure against Public Donations	614,434	541,575
	Indigent costs	726,431	717,909
	Insurance	1,048,734	930,302
	Investigations	-	69,000
	Job Creation	2,050,609	2,534,678
	Job Discriptions	-	280,000
	Koekedouw	538,040	1,217,737
	Membership Fees	1,358,565	1,344,941
	Printing and Stationary	1,819,848	1,489,461
	Projects	1,032,738	265,467
	Protective Clothing	1,032,962	570,082
	Professional Fees	2,162,390	1,653,527
	Refuse bags	2,364,461	1,758,648
	Removal of aliens	280,950	59,324
	Rental of Offices	753,345	558,315
	Sewerage analysis	703,890	596,353
	Soup Kitchen	170,000	160,000
	Strategic Partnerships	273,055	406,474
	Telephone and Postage	2,402,929	2,357,510
	Training	1,527,797	1,010,444
	Travel and Accommodation	1,413,846	1,139,511
	TV Transponder	-	-
	Valuation Costs	752,273	49,611
	Vehicle Fleet Costs	5,665,666	5,383,060
	Veterinary Expenses	275,000	250,000
	Ward Committee Allowance	347,000	664,500
	Wards	148,667	171,125
	Water levies	300,064	155,486
	Wheelie Bins	419,615	-
	Other	2,722,961	2,882,640
	General Expenses	43,464,693	43,157,596

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

36	CORRECTION OF ERROR IN TERMS OF GRAP 3	2017 R	2016 R
36.1	Property, Plant and Equipment		
	Balance previously reported		712,892,875
	Recognition of PPE retention- Note 36.9		830,377
	Correction of Accumulated Depreciation - Note 36.11		(194,546)
	Depreciation on new assets for 2014/2015 - Note 36.12		(873,621)
	Balance now reported		<u>712,655,085</u>
36.2	Unspent Conditional Government Grants and Receipts		
	Balance previously reported		11,554,082
	Correction of VAT on Grants - Note 36.11		2,700,717
	Recognition of Grant for Drought relieve expenditure - Note 36.3		(3,907,586)
	Balance now reported		<u>10,347,213</u>
36.3	Government Grants and subsidies		
	Balance previously reported		70,830,452
	Correction of VAT on Grants - Note 36.11		(2,700,717)
	Recognition of Grant for Drought relieve expenditure - Note 36.2		3,907,586
	Balance now reported		<u>72,037,321</u>
36.4	Municipal Infrastructure Grant: Conditions met Capital		
	Balance previously reported		19,482,858
	Correction of VAT on Grants - Note 36.11		(2,700,718)
	Balance now reported		<u>16,782,140</u>
36.5	Repairs and Maintenance		
	Balance previously reported		19,675,144
	Recognition of retention: Operational Projects - Note 36.9		466,538
	Balance now reported		<u>20,141,682</u>
36.6	Receivables from exchange transactions: Other		
	Balance previously reported		1,667,121
	Correction of Accrued interest incorrectly disclosed as impairment - Note 36.7		276,918
	Balance now reported		<u>1,944,039</u>
36.7	Receivables from exchange transactions: Provision for Impairment		
	Balance previously reported		(106,039,254)
	Correction of Accrued interest incorrectly disclosed as impairment - Note 36.6		(276,918)
	Balance now reported		<u>(106,316,172)</u>
36.8	Receivables from non-exchange transactions		
	Balance previously reported		6,672,523
	Correction of Membership Fees paid in advance - Note 36.13		(1,035,252)
	Correction of Accrued Fines - Note 36.13		805,384
	Balance now reported		<u>6,442,655</u>

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

36.9 Payables from exchange transactions

Balance previously reported	53,707,640
Recognition of retention: Capital Projects - Note 36.1	830,377
Recognition of retention: Operational Projects - Note 36.5	466,538
Recognition of unidentified deposits- Note 36.13	(550,659)
Balance now reported	54,453,896

36.10 Depreciation and Amortisation

Balance previously reported	26,978,789
Correction of depreciation - Note 36.1	194,546
Balance now reported	27,173,335

36.11 Net Surplus for the year

Balance previously reported	64,856,329
Recognition of retention: Operational Projects - Note 36.9	(466,538)
Correction of VAT on Grants - Note 36.2	(2,700,717)
Recognition of Grant for Drought relieve expenditure - Note 36.3	3,907,586
Correction of Accumulated Depreciation - Note 36.1	(194,546)
Balance now reported	65,402,113

36.12 Accumulated Surplus as at 30 June 2016

Balance previously reported	692,248,109
Recognition of retention - Note 36.9	(466,538)
Correction of VAT on Grants - Note 36.2	(2,700,717)
Correction of Membership Fees paid in advance - Note 36.6	(1,035,252)
Recognition of unidentified deposits- Note 36.9	550,659
Correction of Accrued Fines - Note 36.8	805,384
Correction of Accumulated Depreciation - Note 36.1	(873,620)
Correction of Accumulated Depreciation - Note 36.1	(194,546)
Recognition of Grant for Drought relieve expenditure - Note 36.11	3,907,586
Balance now reported	692,241,065

36.13 Accumulated Surplus as at 30 June 2015

Balance previously reported	627,509,596
Correction of Membership Fees paid in advance - Note 36.6	(1,035,252)
Recognition of unidentified deposits- Note 36.9	550,659
Correction of Accrued Fines - Note 36.8	805,384
Correction of Accumulated Depreciation - Note 36.1	(873,620)
Balance now reported	626,956,767

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

37	RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS	2017 R	2016 R
	Surplus/(Deficit) for the year	97,613,987	65,402,114
	<u>Adjustments for:</u>		
	Depreciation	26,094,533	26,807,550
	Amortisation of Intangible Assets	154,053	365,785
	Gain on disposal of property, plant and equipment	(289,843)	3,728
	Loss on disposal of property, plant and equipment	-	-
	Gain on Adjustment of Provision	-	-
	Unamortised Discount on Loans	615,809	1,132,646
	Debt Impairment	38,685,623	34,542,290
	Debt Impairment - Long term receivables	-	
	Stock Adjustments	-	(377)
	Contribution from/to provisions	6,870,384	6,676,458
	Contribution from/to employee benefits	10,682,860	10,046,414
	Actuarial Gain	(14,114,503)	(3,818,913)
	Donated assets included in Public Contributions	-	
	Impairment written off	137,679	21,500
	Operating lease income accrued	2,379	9,209
	Operating Surplus/(Deficit) before changes in working capital	166,452,961	141,188,404
	Changes in working capital	(65,053,489)	(22,671,553)
	Increase/(Decrease) in Trade and Other Payables	(10,747,253)	4,853,506
	Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(6,657,007)	8,198,943
	Increase/(Decrease) in Unspent Public Contributions	(307,662)	(348,352)
	Increase/(Decrease) in Taxes	1,600,686	(1,531,743)
	(Increase)/Decrease in Inventory	(3,944,229)	1,921,194
	(Increase)/Decrease in Trade and other receivables	(42,747,729)	(36,574,596)
	(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	(2,250,295)	809,495
	Cash generated/(absorbed) by operations	101,399,472	118,516,851

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

38 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents - Note 2	76,333,137	97,039,728
	<u>76,333,137</u>	<u>97,039,728</u>
Less:	3,690,206	10,347,213
Unspent Committed Conditional Grants - Note 7	3,690,206	10,347,213
VAT - Note 8	-	-
Resources available for working capital requirements	72,642,931	86,692,515
Allocated to:		
Capital Replacement Reserve	10,354,788	9,548,191
Employee Benefits Reserve	92,832,516	96,264,160
Non-Current Provisions Reserve	70,249,120	68,641,116
Shortfall in working capital requirements	(100,793,493)	(87,760,952)

39 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

	2017 R	2016 R
Long-term Liabilities - Note 19	11,299,006	21,251,295
Used to finance property, plant and equipment - at cost	(11,299,006)	(21,251,295)
	-	-
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

40 BUDGET COMPARISONS

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance

Net surplus/deficit per the statement of financial performance		97,613,987
Adjusted for:		
Fair value adjustments	a)	(14,114,503)
Depreciation and Amortisation recognised / reversed	b)	(673,890)
Increases in debt impairment	c)	(1,893,937)
Employee related cost	d)	(4,426,862)
Finance Charges	e)	(54,196)
Bulk Purchases	f)	(18,070)
Other Expenditure	g)	(5,526,058)
Rates & Service Charges	h)	9,197,462
Grants & Donations	i)	(54,681,152)
Other Income	j)	(13,571,694)
Net surplus/deficit per approved budget		11,851,087

- a) Actuarial gains on Employee Benefits
- b) Depreciation less than expected due to slow capital spending
- c) Collection ratio less than expected. Collection of traffic fines to slow
- d) Employee cost less than budget due to vacancies not filled timeously
- e) Loans redeemed
- f) Bulk purchases less than expected.
- g) Contracted Services less than budget due to effective contract management.
- h) Property rates increase due to the inclusion of the District Management Area .
- i) Improved spending of Grants received.
- j) More interest earned than expected and Income received from Servitude

Please refer to the statement of comparison of budget and actual amounts for more information.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

41 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

None

41.2 Material Losses	2017	2016
Water distribution losses		
- Kilolitres purified	6,508,218	6,088,276
- Kilolitres sold	5,248,496	5,125,931
- Kilolitres lost during distribution	1,259,722	962,345
- Percentage lost during distribution	19.36%	15.81%
- Value of kilolitres lost during distribution	487,798	622,405
- The value of kilolitres lost is based on the treatment cost of water.		

The estimated consumption for public open spaces and informal houses are calculated on a conservative bases using baseline consumption estimations provided by the Department of Water Affairs. Water meters will be installed to measure the mentioned consumption in the future.

Electricity distribution losses

- Units purchased (Kwh)	205,824,759	200,214,058
- Units sold (Kwh)	185,188,502	183,813,777
- Units lost during distribution (Kwh)	20,636,257	16,400,281
- Percentage lost during distribution	10.03%	8.19%
- Value of units lost during distribution (Kwh)	17,967,105	13,141,000

The electricity losses are in line with the guideline of the National Energy Regulator of South Africa of 10%

42 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

42.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS

	2017 R	2016 R
Opening balance	-	-
Council subscriptions	1,322,271	1,336,228
Amount paid - current year	(1,322,271)	(1,336,228)
Balance unpaid (included in Payables from exchange transactions)	-	-

42.2 Audit fees - [MFMA 125 (1)(c)]

Opening balance	-	-
Current year audit fee	2,595,941	2,454,210
External Audit - Auditor-General	2,489,273	2,321,680
Internal Audit	310	-
Audit Committee	106,358	132,530
Amount paid - current year	2,595,941	2,454,210
Balance unpaid (included in Payables from exchange transactions)	-	-

42.3 VAT - [MFMA 125 (1)(c)]

Opening balance	6,207,995	(1,405,076)
Amounts received - Output VAT - current year	(42,269,019)	(37,458,637)
Amounts claimed - Input VAT - current year	47,754,452	35,679,803
Amount paid - current year	2,477,173	7,986,829
Amount paid - previous year	(6,207,995)	1,405,076
Closing balance	7,962,606	6,207,995
Vat in suspense due to cash basis of accounting		
Input VAT	9,417,804	5,433,574
Output VAT	(4,453,269)	1,131,647
Receivable	4,964,535	6,565,221

VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

42.4 PAYE, SDL and UIF - [MFMA 125 (1)(c)]	2017 R	2016 R
Opening balance	-	-
Current year payroll deductions and Council Contributions	17,645,541	14,972,701
Amount paid - current year	(17,645,541)	(14,972,701)
Balance unpaid (included in Payables from exchange transactions)	-	-

42.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]	2017 R	2016 R
Opening balance	-	-
Current year payroll deductions and Council Contributions	31,618,501	28,799,248
Amount paid - current year	(31,618,501)	(28,799,248)
Balance unpaid (included in Payables from exchange transactions)	-	-

42.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]

No Councillors had arrear accounts for more than 90 days as at 30 June 2017:

	Outstanding more than 90 days	
Schuurman	4,029	-
Lottering	7,820	
Laban	26,855	
Mgoboza	8,278	
Phungula	24,235	-
Total Councillor Arrear Consumer Accounts	71,217	-

During the year no Councillors had arrear accounts outstanding for more than 90 days.

	Highest Amount Outstanding	
Schuurman	5,386	-
Lottering	16,226	-
Laban	26,855	-
Mgoboza	11,753	-
Phungula	24,235	-
	84,455	-

Councillor Lotterings account was under dispute and therefore went over the 90 day threshold. The necessary corrections and payments were affected after year end.

42.7 Discloser in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005

Regulation 36 (2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36 (1) (a)

	Amount	Single Supplier	Type of deviation	Impractical	Emergency
			Impossible		
July	735,648	7	-	5	2
August	2,010,252	13	-	8	7
September	417,294	13	-	9	7
October	708,942	7	-	10	5
November	1,415,607	6	-	16	3
December	314,869	8	-	5	4
January	686,860	5	-	8	3
February	1,034,138	8	-	5	4
March	607,500	11	-	14	10
April	387,450	10	-	7	3
May	710,745	3	-	9	7
June	691,099	2	-	11	9
	9,720,404	93	-	107	64

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

**2017
R**

Regulation 45 - Details of awards made to close family members of persons in service of State

Name of supplier	Member of company who has relationship with person in the service of the state	Relationship to person in the service of the state	Name of person in the service of the state	Employer and capacity of person in service of the state	Value of transactions
Williams Loodgieters	SR Williams	Husband	R Williams	Dept. of Health: Nurse	R 171,362
Creative Minds	Johan Jordaan	Husband	WA Jordaan	Department of Education: Occupational therapist	R 2,136
Ivan A Pharo	I Pharo	Husband	D Pharo	WCED: Teacher, Bella Vista Sekonder	R 4,900
Godden's	TT Godden	Son	TD Godden	Witzenberg Municipality - Speaker	R 3,600
	CV Godden	Brother			
SEW Plumbing	SE Williams	Wife	L Williams	Dept. of Health: Admin Officer	R 10,000
		Mother	R Williams	Dept. of Health: Nurse	
Regan Brown Attorneys	R Brown	Brother	E Johnson	City of Cape Town: Traffic Dept	R 204,120
		Brother	D Johnson	SAPS: Worcester	
O'neil & Visser Attorneys	CW O'neil	Husband	H O'Neill	DOJ: Worcester	R 363,051
Vox Elektries	F Blom	Husband	M Blom	SAPS: Officer	R 97,605
Maverick Trading 1088 (Pty) Ltd	Vuyokazi Machimana	Mother	B Skonsana	Gauteng Department of Health: Nurse	R 199,994
Powerrec (Pty) Ltd	Vuyokazi Machimana	Mother	B Skonsana	Gauteng Department of Health: Nurse	R 4,865,750
JC Fencing	JJ Abrahamse	Father	K Abrahamse	Witzenberg Municipality: Traffic Officer	R 33,250
Freddie Opperman	Freddie Opperman	Wife	J Opperman	WCED: Teacher	R 23,270
SJ Peres	SJ Peres	Brother IDP	S Peres	Witzenberg Municipality: Accountant Expenditure	R 14,300
P Swarts	P Swarts	Husband	L Swarts	Pharmacist: Ceres Provincial Hospital	R 1,900
CJ Services	C Hofmeester	Cousin	F Hofmeester	Witzenberg Municipality: SCM Practitioner	R 1,845
AON (Pty) Ltd	N Mangyanga	Mother	Gladys Thivhafuni Ravele	Department of Education	R 1,268,904
		Father	George Takalani Ravele	Department of Transport	
WAB Print Media (Pty) Ltd	Wayne Brink	Spouse	Adelene Brink	Drakenstein Municipality	R 1,680
AJ Rankin Basson Sport BK	J Wessels	Spouse	MJL Wessels	Witzenberg Municipality Social Worker	R 310
JMIL Dienste	Johannes Louwrens	Brother	Ci Croudace	Msunduzi Municipality - Admin officer	R 711,360

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

43	COMMITMENTS	2017 R	2016 R
	Commitments in respect of expenditure:		
	Approved and contracted for	43,308,942	44,079,157
	Infrastructure	12,973,889	12,144,820
	Community	19,960	587,631
	Other Capital	107,660	4,687,590
	Operational	30,207,433	26,659,116
	Total	43,308,942	44,079,157

44 FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

0.5% Increase in interest rates	325,518	382,371
0.5% Decrease in interest rates	(325,518)	(382,371)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss. Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 3 and 4 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 3 for balances included in receivables that were re-negotiated for the period under review.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

			2017 R	2016 R
FINANCIAL RISK MANAGEMENT CONTINUED				
Balances past due not impaired:				
	2017 %	2017 R	2016 %	2016 R
<u>Long Term Receivables</u>				
Rates & other	0.00%	-	0.00%	-
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Non-Exchange Receivables</u>				
Rates & other charges	0.00%	-	0.00%	-
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Exchange Receivables</u>				
Electricity	79.64%	32,872,978	80.60%	31,960,554
Water	11.38%	7,691,241	14.78%	8,523,087
Housing Rentals	4.30%	63,826	5.01%	61,901
Refuse	9.02%	3,142,966	10.33%	2,970,103
Sewerage	9.38%	2,747,183	11.48%	2,710,023
Other	41.43%	1,053,724	30.32%	589,391
Land Sales	100.00%	1,288,005	100.00%	3,356,771
	<hr/>	<hr/>	<hr/>	<hr/>
	27.40%	48,859,922	32.12%	50,171,831
	<hr/>	<hr/>	<hr/>	<hr/>

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 3 and 4 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2017 %	2017 R	2016 %	2016 R
<u>Long Term Receivables</u>				
Rates & Other	0.00%	-	0.00%	-
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Non-Exchange Receivables</u>				
Rates & other	0.00%	-	0.00%	-
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Exchange Receivables</u>				
Electricity	6.50%	8,405,164	7.24%	7,692,497
Water	46.30%	59,909,055	46.21%	49,125,488
Housing Rentals	1.10%	1,419,604	1.10%	1,173,789
Refuse	24.50%	31,694,299	24.26%	25,788,269
Sewerage	20.51%	26,543,143	19.66%	20,904,562
Other	1.15%	1,489,752	1.27%	1,354,648
	<hr/>	<hr/>	<hr/>	<hr/>
	100.06%	129,385,759	100%	106,316,172
	<hr/>	<hr/>	<hr/>	<hr/>

The provision for bad debts could be allocated between the different categories of debtors as follows:

	2017 %	2017 R	2016 %	2016 R
Residential	90.00%	116,443,733	88.88%	94,494,237
Commercial	4.40%	5,694,503	6.01%	6,387,057
Government	0.99%	1,283,183	1.02%	1,083,997
Other	4.67%	6,039,599	3.83%	4,073,962
	<hr/>	<hr/>	<hr/>	<hr/>
	100.06%	129,385,759	99.74%	106,316,172
	<hr/>	<hr/>	<hr/>	<hr/>

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

FINANCIAL RISK MANAGEMENT CONTINUED

	2017 %	2017 R	2016 %	2016 R
Bad debts written off per debtor class:				
<u>Long Term Receivables</u>				
Rates & other	0.00%	-	0.57%	240,634
<u>Non-Exchange Receivables</u>				
Rates	0.00%	-	0.00%	-
<u>Exchange Receivables</u>				
Electricity	23.32%	3,293	25.79%	10,972,641
Water	38.19%	5,393	37.50%	15,952,293
Housing Rentals	0.84%	118	0.80%	341,935
Refuse	19.68%	2,779	18.71%	7,957,907
Sewerage	16.55%	2,337	15.36%	6,534,538
Other	1.44%	203	1.26%	537,947
	100.00%	14,123	99.43%	42,297,260

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

Financial assets exposed to credit risk at year end are as follows:

	2017 R	2016 R
Long term receivables	-	7,495
Receivables from exchange transactions	48,935,181	49,894,912
Cash and Cash Equivalents	76,324,212	97,031,303
Unpaid conditional grants and subsidies	2,262,670	12,375
	127,522,063	146,946,085

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

FINANCIAL RISK MANAGEMENT CONTINUED

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2017				
Long Term liabilities	4,756,563	7,883,684	1,091,920	-
Capital repayments	3,717,251	6,541,394	1,040,360	-
Interest	1,039,312	1,342,290	51,560	-
Trade and Other Payables	38,675,923	-	-	-
Unspent conditional government grants and receipts	3,690,206	-	-	-
	<u>47,122,692</u>	<u>7,883,684</u>	<u>1,091,920</u>	<u>-</u>
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2016				
Long Term liabilities	12,185,646	11,417,974	2,091,424	-
Capital repayments	10,092,926	9,218,805	1,932,984	-
Interest	2,092,720	2,199,169	158,439	-
Trade and Other Payables	51,093,262	-	-	-
Unspent conditional government grants and receipts	10,347,213	-	-	-
	<u>73,626,121</u>	<u>11,417,974</u>	<u>2,091,424</u>	<u>-</u>

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

45	FINANCIAL INSTRUMENTS	2017 R	2016 R
	In accordance with IAS 39.09 the financial instruments of the municipality are classified as follows:		
	The fair value of financial instruments approximates the amortised costs as reflected bellow.		
45.1	<u>Financial Assets</u>		
	<u>Classification</u>		
	Investments		
	Fixed Deposits	-	-
	Long-term Receivables		
	Officials Housing Loans	-	167
	Rates (Re-negotiated terms)	-	7,328
	Councillor Allowances	-	-
	Receivables		
	Receivables from exchange transactions	48,935,181	49,894,911
	Receivables from non-exchange transactions	-	-
	Other Receivables		
	Government Subsidies and Grants	2,262,670	12,375
	Current Portion of Long-term Receivables		
	Officials Housing Loans	-	167
	Sport Club Loans	-	7,328
	Bank Balances		
	Bank Balances	76,324,212	97,031,303
		127,522,063	146,953,579
	SUMMARY OF FINANCIAL ASSETS		
	Financial instruments at amortised cost	127,522,063	146,953,579
	At amortised cost	127,522,063	146,953,579
45.2	<u>Financial Liability</u>	2017 R	2016 R
	<u>Classification</u>		
	Long-term Liabilities		
	Annuity Loans	7,345,204	10,516,600
	Capitalised Lease Liability	236,551	641,769
	Payables from exchange transactions		
	Trade creditors	33,113,210	43,197,262
	Retentions	3,210,552	5,871,317
	Deposits	1,729,271	1,443,497
	Other	622,890	581,186
	Other Payables		
	Government Subsidies and Grants	3,690,206	10,347,213
	Current Portion of Long-term Liabilities		
	Annuity Loans	3,293,689	9,725,207
	Capitalised Lease Liability	423,562	367,719
		53,665,135	82,691,770
	SUMMARY OF FINANCIAL LIABILITY		
	Financial instruments at amortised cost	53,665,135	82,691,770

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

46	IN-KIND DONATIONS AND ASSISTANCE	2017 R	2016 R
	Land and Buildings donated by rural Development	<u>40,999,102</u>	-

47 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

48 CONTINGENT LIABILITY

Claims against Council	<u>3,013,366</u>	<u>3,398,459</u>
Estimate legal Fees	<u>110,000</u>	<u>510,000</u>

The municipality is currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions. Management are respectfully of opinion that this matter will be successfully defended. The Municipality is defending all the claims. The amounts indicated is Management's estimated financial exposure. The following are narratives of the cases:

F Daniels / SALGBC & two others	The applicant was the former Manager of Traffic. He was dismissed after an internal disciplinary hearing on 21/09/2009, where after he unsuccessfully appealed internally against the sanction of dismissal. Management is of opinion that the risk of the municipality being ordered to pay Mr Daniel's legal fees is slim.	1,000,000	1,000,000
L Louw	A child was assaulted at the Pine Forest. The claimant alleged that the security measures at the Pine Forest were not sufficient to protect the child. The case was submitted to the municipality's insurance broker. The chance that any amount might be payable by the municipality is remote.	1,427,600	1,427,600
F Viljoen	On 23 July 2011 at approximately 00h30 and along Retief Street, Ceres, the Plaintiff sustained serious injuries after colliding with a heap of gravel which the claimant alleged had been placed in the middle of the street by persons in the employment of the Municipality. The case was submitted to the municipality's insurance broker. The chance that any amount might be payable by the municipality is remote.		251,672
Telemasters	Witzenberg municipality cancelled the contract with Telemasters according to the stipulations of the contract. Telemasters alleges that the contract was not cancelled and sued the municipality for breach of contract. The chance that any amount might be payable by the municipality is remote.		133,421
Gunter	Plaintiff claims damages from the municipality after she fell on the sidewalk. The case was submitted to the municipality's insurance broker. The chance that any amount might be payable by the municipality is remote.	585,766	585,766
		<u>3,013,366</u>	<u>3,398,459</u>

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

49	RELATED PARTIES	2017 R	2016 R
	Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.		
	The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.		
49.1	Related Party Loans		
	Since 1 July 2004 loans to councillors and senior management employees are not permitted.		
49.2	Compensation of key management personnel		
	The compensation of key management personnel is set out in Note 27 to the Annual Financial Statements.		
49.3	Other related party transactions		
	No purchases were made during the year where Councillors or staff have an interest.		
49.4	Ceres Koekedouw Management Committee		
	Ceres Koekedouw Management Committee is an entity established by the Witzenberg Municipality and the Koekedouw Irrigation Board. Ceres Koekedouw Management Committee is responsible for the management of the Koekedouw Dam, jointly owned by Witzenberg Municipality and the Koekedouw Irrigation Board.		
	The following contributions included with General Expenses were paid to the Ceres Koekedouw Management Committee	538,040	1,217,737

**APPENDIX A - Unaudited
WITZENBERG MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2017**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2016	Received during the period	Redeemed / written off during the period	Balance at 30 JUNE 2017
ANNUITY LOANS							
ABSA	10.21%	90-9200-8204	30-12-15	-			0
ABSA	10.21%	20-9200-9990	30-12-15	-			0
ABSA	10.21%	0-9205-8859	30-12-15	-			0
NED BANK	8.00%	5032156 0001	30-05-15	-		-	0
NED BANK	8.00%	5032113 0001	30-05-18	448,570		214,050	234,520
NED BANK	8.00%	5032032 0001	30-05-23	6,763,522		737,751	6,025,771
CERES GOLF CLUB	18.00%	49	30-06-18	-			0
DBSA	12.00%	10478/102	30-09-17	337,009		337,009	0
DBSA	12.00%	10525/104	31-03-17	6,454,680		6,454,680	0
DBSA	15.25%	11188/101	30-09-18	3,688,164		1,315,810	2,372,354
DBSA	15.50%	10772/101	30-09-18	838,260		298,500	539,760
DBSA	9.50%	102040/1	30-09-21	185,592		27,110	158,482
DBSA	10.75%	13161/101	31-12-14	-		-	0
DBSA	15.25%	13164/101	31-12-14	-		-	0
DBSA	8.59%	100605/1	30-06-23	1,526,009		218,001	1,308,008
Total Annuity Loans				20,241,807	-	9,602,911	10,638,896
LEASE LIABILITY							
Office Equipment		Various	2012/02/29	1,009,488	26,370	375,748	660,110
Total Lease Liabilities				1,009,488	26,370	375,748	660,110
TOTAL EXTERNAL LOANS				21,251,295	26,370	9,978,659	11,299,006

**APPENDIX B - Unaudited
WITZENBERG MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017
MUNICIPAL VOTES CLASSIFICATION**

2016 Actual Income R	2016 Actual Expenditure R	2016 Surplus/ (Deficit) R		2017 Actual Income R	2017 Actual Expenditure R	2017 Surplus/ (Deficit) R
69,849,744	(32,305,839)	37,543,905	Budget & Treasury Office	79,235,166	(31,905,693)	47,329,473
136,073,810	(108,191,967)	27,881,843	Civil Services	149,471,955	(107,163,874)	42,308,080
66,763,386	(23,028,655)	43,734,731	Community & Social Services	71,927,986	(26,784,842)	45,143,144
5,625,927	(28,769,266)	(23,143,338)	Corporate Services	15,120,238	(33,706,230)	(18,585,992)
202,548,876	(182,240,690)	20,308,186	Electro Technical Services	221,652,885	(202,335,111)	19,317,774
5,011,492	(24,135,106)	(19,123,615)	Executive & Council	202,124	(22,322,690)	(22,120,566)
836,596	(2,906,534)	(2,069,938)	Housing	24,610,710	(27,456,019)	(2,845,308)
980,307	(6,592,167)	(5,611,860)	Planning	1,309,115	(7,539,676)	(6,230,560)
12,897,601	(21,284,659)	(8,387,058)	Public Safety	24,993,442	(34,201,045)	(9,207,603)
14,944,879	(20,675,623)	(5,730,743)	Sport & Recreation	22,976,093	(20,470,545)	2,505,547
515,532,618	(450,130,505)	65,402,113	Total	611,499,713	(513,885,726)	97,613,987

**APPENDIX C - Unaudited
WITZENBERG MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017
GENERAL FINANCE STATISTIC CLASSIFICATIONS**

2016 Actual Income R	2016 Actual Expenditure R	2016 Surplus/ (Deficit) R		2017 Actual Income R	2017 Actual Expenditure R	2017 Surplus/ (Deficit) R
5,011,492	(26,598,802)	(21,587,311)	Executive and Council	202,124	(25,347,001)	(25,144,877)
69,849,744	(30,779,873)	39,069,871	Budget and Treasury Office	79,235,166	(30,093,651)	49,141,515
5,625,927	(30,349,796)	(24,723,868)	Corporate Services	15,120,238	(35,471,460)	(20,351,222)
980,307	(8,889,395)	(7,909,088)	Planning and Development	1,309,115	(9,541,315)	(8,232,199)
65,777,189	(18,233,215)	47,543,973	Community and Social Services	71,561,425	(21,175,516)	50,385,910
836,596	(2,906,534)	(2,069,938)	Housing	24,610,710	(27,456,019)	(2,845,308)
8,548,322	(18,302,328)	(9,754,007)	Public Safety	20,550,963	(31,077,829)	(10,526,866)
14,944,879	(20,675,623)	(5,730,743)	Sport and Recreation	22,976,093	(20,470,545)	2,505,547
986,197	(1,062,571)	(76,374)	Environmental Protection	366,561	(1,673,555)	(1,306,995)
23,218,849	(38,478,357)	(15,259,508)	Waste Management	21,868,904	(39,483,754)	(17,614,850)
49,455,678	(26,555,822)	22,899,857	Waste Water Management	30,417,096	(29,803,509)	613,587
14,253,291	(24,617,791)	(10,364,500)	Road Transport	60,771,226	(20,163,643)	40,607,583
53,495,271	(21,522,329)	31,972,942	Water	40,582,181	(19,636,166)	20,946,015
202,548,876	(181,158,070)	21,390,806	Electricity	221,652,885	(200,538,877)	21,114,007
-	-	-	Other	-	-	-
515,532,618	(450,130,505)	65,402,113	Total	611,224,687	(511,932,841)	99,291,847

**APPENDIX D - Unaudited
WITZENBERG MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS	Balance 1 JULY 2016	Grants Received	Grants Capital Received	Write Offs / Transfers	Operating expenditure during the year Transferred to revenue	Capital expenditure during the year Transferred to revenue	Balance 30 JUNE 2017	Unspent 2017 (Payable)	Unpaid 2017 (Receivable)
R	R	R	R	R	R	R	R	R	R
<u>National Government Grants</u>									
Finance Management Grant	-	1,475,000	-	-	(1,337,660)	(398,655)	(261,315)	-	261,315
Municipal Systems Improvement Grant	(0)	-	-	-	-	-	(0)	-	0
Municipal Infrastructure Grant	3,399,040	21,389,000	21,389,000	-	(237,600)	(24,640,860)	(90,419)	-	90,419
Regional Bulk Infrastructure Grant (DWAF)	-	-	-	-	-	(114,347)	(114,347)	-	114,347
Integrated National Electricity Program	507,548	5,000,000	5,000,000	(409,000)	-	(5,900,006)	(801,458)	-	801,458
Equitable share	-	59,325,000	-	409,000	(59,734,000)	-	(0)	-	0
Department of Rural Development	471,155	-	-	-	-	-	471,155	471,155	-
Expanded Public Works Programme	(12,375)	1,336,000	-	-	(1,337,669)	-	(14,044)	-	14,044
Neighbourhood Development Plan	321	-	-	-	-	-	321	321	-
<u>Provincial Government Grants</u>									
Library services	1,416,673	2,477,000	-	-	(3,266,144)	(627,529)	-	-	-
Library services Replacement Funding	(0)	5,498,000	-	-	(5,498,000)	(143)	(143)	-	143
CDW	337,816	150,000	-	-	(70,535)	-	417,281	417,281	-
Main roads	-	120,000	-	-	(136,800)	-	(16,800)	-	16,800
Municipal Infrastructure Support Grant	594,594	-	-	-	-	(1,352,612)	(758,017)	-	758,017
Drought Relief	609,656	396,833	396,833	-	(42,840)	(963,649)	-	-	-
Housing	1,478,410	31,706,989	22,359,310	-	(24,264,670)	(8,354,094)	566,634	566,634	-
Internship (PT)	-	60,000	-	-	-	-	60,000	60,000	-
Multipurpose Centre	222,000	100,000	-	-	-	-	322,000	322,000	-
Capacity Building (PT)	-	120,000	-	-	-	-	120,000	120,000	-
Dept of Local Government	-	1,603,167	1,603,167	-	-	(1,809,293)	(206,126)	-	206,126
Financial Management Training	1,310,000	220,000	-	-	(97,185)	-	1,432,815	1,432,815	-
<u>District Municipality</u>									
Parks and recreation	-	300,000	300,000	-	-	-	300,000	300,000	-
Total	10,334,838	131,276,989	51,048,310	-	(96,023,103)	(44,161,187)	1,427,536	3,690,206	2,262,670